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CONFIDENTIAL.

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CORRESPONDENCE

RESPECTING THE

VARIOUS OTTOMAN LOANS.

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35

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CONFIDENTIAL.

Correspondence respecting the various Ottoman Loans.

No. 1.

Sir H. Elliot to the Earl of Derby.—(Received June 22.)

(No. 288. Confidential.)

Therapia, June 14, 1875.

My Lord,

I HAVE the honour to inclose an interesting confidential Report from Mr. Sandison of conversations with the Grand Vizier and Safvet Pasha, upon the present position and prospects of this Empire.

I have since had some conversation with the latter myself upon the same subject, when he spoke with perhaps still more openness of the hopelessness of a financial position depending upon the will, or, if I liked the word better, the caprice of one individual.

I inquired whether the case had ever been openly laid before the Sultan, and the necessity explained of a check being put upon the extravagance which is leading to ruin.

He assured me solemnly that this had been fully and repeatedly done, but without any effect, and for his part he was unable to perceive a ground for real hope in any quarter.

The Porte trusted that Her Majesty's Government would consent to a Treaty of Commerce, with a Tariff which would ensure a larger revenue from the Customs, but he admitted that anything to be expected from that source could not go very far to help them out of their difficulties.

I observed upon this that I did not well understand what the Porte wished Her Majesty's Government to do upon that question.

It was true that it had a right to put an end to the present Treaty in little more than a year; but as British trade must continue to enjoy the treatment of the most favoured nation, nothing would be gained by any new Treaty till the expiration of those with other Powers.

Safvet Pasha said there was no intention of trying to raise higher duties on British than on other foreign goods, but that if Her Majesty's Government consented to an enhanced rate, the Porte trusted much to the effect of the example upon others; but till the other Governments did follow it, the old Tariff would continue to be applied.

With regard to the Grand Vizier's remarks upon the wish of the Porte to cultivate a good understanding with France, your Lordship is aware that I have spared no opportunity of impressing the importance of it upon the Turkish Ministers, whom I believe now to be perfectly sincere in their professions.

The relations between the late French Ambassador and the two most powerful of the Grand Viziers who have succeeded Ali Pasha had become cold through various unfortunate misunderstandings, of which the German Embassy was not slow to take advantage, in destroying the remainder of the French influence which had been so powerful during the Empire, and Hussein Avni Pasha allowed himself to be largely influenced in his policy by the personal resentment which he felt against the Count de Vogüé.

This is now at an end, and I hope that, with the distrust now felt towards Austria, pushed, as I believe it to be, to an exaggerated length, and the subserviency of both the German Embassies to that of Russia, the Porte will eagerly welcome the arrival of

M. de Bourgoing as offering a natural opportunity of restoring the cordiality which used to subsist between this country and France.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 1.

Mr. Sandison to Sir H. Elliot.

(Confidential.)
Sir,

Therapia, June 9, 1875.

IN the course of conversation respecting the United Principalities and the Geneva Convention, Safvet Pasha touched again upon the present state and resources of Turkey in view of the deficit which will soon have to appear in the Budget.

Whilst a remarkably retrograde movement was noticeable throughout Turkey within the last four or five years on the score of material progress and administrative reform, a deficit of 5,000,000*l.*, if not 7,000,000*l.* sterling, was now staring her in the face, with no chance or prospect of bettering the general condition of the country, under the defects of a régime against which there hardly seems to exist any remedy. His Excellency wished evidently to allude to the share assumed by the Sultan, since Aali Pasha's death, in the general administration of the country, and to the constant Ministerial changes which rendered the tenure of office so short and precarious as not to allow the Ministers in office sufficient time even to consider and mature the reforms so urgently required by the circumstances of the country.

His Excellency readily admitted that, like his predecessors, the present Grand Vizier would equally fail in the attempt of checking the progress of the present state of things, and that he, too, must continue to be the mere tool of the Imperial will, which can neither be opposed nor judiciously directed.

In fact, it would be rather underrating the truth if Safvet Pasha were represented here otherwise than in a state of hopeless despondency, and yet sincerely bent upon doing his utmost to serve the country to the best of his ability.

The Grand Vizier, whom I had occasion to see on the same day, spoke also in some measure of the prospects of the country, but in a much less discouraging strain.

As to the deficit, His Highness emphatically declared it to be 5,000,000*l.* only, to meet which the Government disposed already of means to the amount of 2,000,000*l.* sterling, the remaining 3,000,000*l.* being procurable from the Imperial Ottoman Bank in the form of an advance.

This, however, was only a temporary expedient intended to meet the exigencies of the current financial year, and that steps, the Grand Vizier added, must consequently be taken even now in order to provide for the future requirements of the country and Government and for maintaining credit.

This was a matter of vital importance, in which His Highness said he fully relied upon your Excellency's valuable and friendly assistance, in the hope that you would obtain the consent of Her Majesty's Government to the modifications in the Commercial Treaty with Great Britain, the effect of which would be to add considerably to the present public revenue of Turkey.

It is true the Commercial Treaties with the other European States involved yet a considerable length of time before they could be denounced, but in presence of the comparative magnitude of the trade with England, the consent to the proposed modifications of that Power alone would be of the greatest pecuniary value to Turkey.

His Honour wished also that your Excellency should be made fully acquainted with the value which the Sultan and his Government set upon preserving the sympathies of England and France, which had already done so much for the very preservation of Turkey.

The main object of his policy, His Highness went on to say, would consist in giving to both countries proofs of the gratitude of his own country; and that since there did not apparently exist any longer in France that strong inclination and sympathy for Russia, the object of which was to detach that Power from any possible alliance or close connection with Germany, he sincerely hoped that your Excellency would convince the new French Ambassador of the present disposition of the Porte towards French interests and France herself, and impress him with your own friendly views and policy with regard to Turkey.

I have, &c.
(Signed) A. SANDISON.

No. 2.

Sir H. Elliot to the Earl of Derby.—(Received July 11.)

(Telegraphic.) *Therapia, July* 10, 1875, 11 P.M.

THE Turkish Budget has been issued, but the translation is not yet made; the deficit is stated to be 5,000,000*l.*, and a Commission is to be formed for considering the measures required for increasing the revenue and diminishing the expenditure.

No. 3.

Sir H. Elliot to the Earl of Derby.—(Received August 1.)

(No. 377. Confidential.)
My Lord,

Therapia, July 22, 1875.

IN the course of a confidential conversation with the Grand Vizier yesterday upon the state of the finances, His Highness said that one of his objects in abandoning so large a portion of his own salary was to impress upon the Sultan that there must be retrenchment and economy from the top to the bottom of the scale.

His Highness did not believe that the real state of the finances had ever been made fully known to the Sultan, or that His Majesty had been previously aware of the gravity of the situation, but now the real state of the case had been laid fairly before him.

I am bound, however, to say that I heard precisely the same assurances from more than one of His Highness' predecessors, some at least of whom had as keen a perception of the dangers of the financial position, and an equal courage in expressing their opinions.

It is possible that the Sultan may not fully have taken in the state of the case which Essaad Pasha believes him to have done; but he says that His Majesty is extremely sensitive of any allusion to his own personal expenses, which renders it difficult to touch upon any of them.

Independently of the Civil List, the Sultan gets, Essaad Pasha tells me, 1,400,000*l.* from the Consolidés of which he is a holder, and His Highness has great hopes of inducing him to devote annually 1,300,000*l.* of this to the construction of the railroads.

He believes His Majesty to regret having undertaken the building of the Mosque and the streets of solid houses commenced last year in the neighbourhood of the palace. The works upon the foundations of the Mosque are not absolutely abandoned, chiefly probably from a feeling of pride, while those upon the houses and shops, which, when finished, will bring in some return, are pushed on with extraordinary vigour, as if the Sultan had become impatient of seeing them.

The Grand Vizier, in speaking of these buildings, alluded with much bitterness to General Ignatiew, at whose perfidious suggestion the Sultan had resolved upon the destruction of the old houses, which had been pointed out to him as keeping the palace in danger of fire.

When I asked what important measures of economy could be adopted, Essaad Pasha said that he hoped by shortening the period of the active service of the soldiers by six months, he might, perhaps, be able to effect a saving of half a million; but this and all other possible economies will be examined by the Commission now sitting.

The expenditure is not excessive, and I cannot for myself feel sanguine that it will be found practicable to make any large reduction in it, in spite of the confidence expressed by the Grand Vizier.

For increased revenues, His Highness persists in looking chiefly to what may be got from the Customs under new Treaties of Commerce.

I reminded him of what your Lordship had said in reference to a large increase of the Tariff, and of the irregularities that go on with regard to the revenues which should at present be received upon imports; and I pointed out that if, as was undoubted, smuggling is already carried to such a large extent under a low Tariff, it was certain to be enormously increased, without a corresponding profit to the Government, if the duties were greatly raised. The first business of the Porte should therefore be to establish an efficient control over this department, and when that was done, other Governments might be more ready to consent to the imposition of higher duties.

He said that Commissioners were about to be sent to investigate the irregularities which were to be found in every department, though he doubted whether in the Customs they were nearly so great as had been assumed.

He repeated that he felt confident that Her Majesty's Government would not refuse their assistance to the Porte, when it wished to do its utmost to remedy the present state of its finances, and to continue to fulfil all its engagements.

I have, &c.
(Signed) HENRY ELLIOT.

No. 4.

Sir H. Elliot to the Earl of Derby.—(Received August 6.)

(No. 400.)
My Lord, *Therapia, July 28, 1875.*

THE letter herewith inclosed in translation has been addressed by the Grand Vizier to the Governor-General of the different vilayets upon the financial state of the Empire and the measures of economy rendered necessary by it.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 4.

Extract from the "Courrier d'Orient" of July 28, 1875.

L'HISTOIRE des finances de l'Empire établit que depuis l'inauguration de la Réforme (*Tanzimat*) le Gouvernement Impérial s'est trouvé constamment dans la nécessité d'augmenter le chiffre de ses dépenses. Il est vrai que les revenus ne sont pas restés stationnaires; ils ont augmenté parallèlement avec les dépenses, de sorte que pendant longtemps les revenus et les dépenses ont été en équilibre.

Plus tard, des questions intérieures et extérieures ont surgi; l'Administration de l'Empire a dû être réorganisée et des besoins nouveaux ont apporté avec eux la nécessité de nouvelles dépenses.

Aussi le Gouvernement Impérial, pour couvrir le déficit de chaque exercice, s'est vu obligé de recourir à divers expédients; tantôt il a fait appel aux capitaux en contractant des emprunts intérieurs ou extérieurs; tantôt il a cherché des voies et moyens pour augmenter ses ressources, ou bien il a pris des mesures d'économie.

Toutefois, tandisque des événements politiques n'ont cessé de préoccuper le Gouvernement Impérial, les diverses branches du service public se trouvaient en présence de nécessités de plus en plus grandes. D'autre part, des emprunts successivement contractés allaient toujours en grossissant le montant de la dette publique. Malheureusement, le régime d'économie adopté par le Gouvernement Central n'était pas toujours mis en vigueur par les autorités subalternes d'une maniere convenable. On ne pouvait non plus maîtriser toujours les événements qui entraînaient des dépenses improductives considérables au détriment de l'équilibre des finances. Divers fléaux sont venus s'ajouter aux charges déjà lourdes que supportait le trésor: la famine et l'épizootie ont sévi dans quelques provinces de l'Empire, et c'est ainsi que le budget de l'exercice courant a accusé un déficit de 5 millions de livres.

On peut comprendre aisément par là pourquoi les revenus sont d'un sixième au dessous des dépenses. Le service de la Dette Publique absorbe plus de la moitié des revenus.

Le Gouvernement Impérial a donc porté son attention la plus sérieuse sur cet état de choses.

Il est évident que si le Gouvernement Impérial n'avait eu des ressources à sa disposition, s'il n'avait pu faire des économies dans les dépenses, le déficit constaté aurait pu inquiéter les esprits. Heureusement, la situation de l'Empire est telle que les revenus sont chaque année en voie d'accroissement. Les mesures prises par le Gouvernement Impérial ne peuvent qu'assurer cette marche progressive.

Quant à l'augmentation des dépenses qui a lieu depuis quelque temps, elle est le résultat de la réorganisation des forces de terre et de mer, des réformes accomplies dans l'ordre judiciaire et administratif, de la construction des routes, et de l'exécution d'autres travaux d'utilité publique.

Comme il vient d'être dit, une partie des dépenses peut être temporairement réduite; dans tous les cas, les esprits peuvent être rassurés que par suite de l'accroissement des revenus et de la diminution des dépenses, non-seulement le chiffre du déficit n'excédera jamais celui qui est reconnu dans le budget, mais qu'encore l'augmentation des recettes pourra couvrir le déficit actuel dans deux ou trois ans. On ne saurait néanmoins se bercer

dans une trompeuse sécurité pour négliger les mesures requises par les circonstances actuelles.

L'état financier du pays nous impose des sacrifices qu'il faut supporter en réduisant dans la mesure du possible nos dépenses jusqu'à ce que l'équilibre soit établi, et que le crédit de l'Etat puisse être sauvegardé. C'est alors que le Gouvernement Impérial, libre de toute entrave financière, pourra exclusivement consacrer ses efforts à l'établissement des voies de communication et à la propagation de l'instruction publique; en un mot, à tout ce qui constitue de nos jours la force réelle des Etats.

Mais pour atteindre ce résultat il nous faut la plus stricte économie.

Par conséquent, d'ordre de Sa Majesté Impériale le Sultan, une haute Commission de Réformes, présidée par le Grand Vizir lui-même, et composée de quelques Ministres et fonctionnaires supérieurs, s'occupe en ce moment à examiner scrupuleusement les divers crédits affectés aux différentes branches de l'Administration.

Elle délibère sur les économies possibles et sur les voies et moyens destinés à accroître les revenus sans surcharger les populations d'impôts incompatibles avec les lois économiques.

Je n'ai pas besoin de vous dire combien la Commission a pris à cœur d'accomplir consciencieusement son mandat; mais ses délibérations ne pourront porter de fruit qu'avec le temps. Quant à présent, le déficit budgétaire réclame des mesures promptes et efficaces.

Il était donc du devoir des hommes publics de l'Empire de donner avant tout le monde de preuves d'abnégation, de patriotisme, et de sacrifice de leurs intérêts personnels pour servir d'exemple aux autres. Aussi des réductions sérieuses ont-elles été déjà effectuées. Le Grand Vizir recevra cinquante mille piastres par mois au lieu de deux cent mille piastres: les Gouverneurs-Généraux seront divisés en deux classes; ceux de la première classe recevront vingt-cinq mille, et ceux de la seconde vingt mille, piastres par mois.

Les Ministres du Commerce et de l'Instruction Publique, le Conseiller du Grand Vizir, l'Administrateur-Général des Contributions Indirectes, le Ministre des Archives, et le Préfet de la ville auront chacun une allocation mensuelle de vingt-mille piastres.

Toutefois, les crédits ouverts pour les Missions de la Sublime Porte à l'étranger, et les appointements des Généraux de Brigade et Division, répondant au strict nécessaire, ne suffriront pas de réduction. Il en sera de même des appointements alloués par contrat qui sont maintenus dans leur intégrité.

Quant aux autres appointements des fonctionnaires en activité ou en retraite, ils subiront une réduction de moitié sur toutes les sommes excédant trois mille piastres, à partir du 1er Juillet, 1875.

Toutes ces réductions sanctionnées par une Ordonnance Impériale sont déjà un fait accompli.

La Commission délibère maintenant sur les réformes financières et administratives les plus urgentes. Une réforme qu'on peut considérer comme essentielle est celle qui est destinée à régler les conditions de nomination aux emplois publics et à prévenir que les fonctionnaires ne puissent être déplacés sans motif égal.

D'ordre de Sa Majesté le Sultan, une loi spéciale sur cette matière est à l'étude, et sera promulguée en temps utile.

Les Gouverneurs-Généraux sont spécialement chargés de veiller par tous les moyens en leur pouvoir à ce que par suite de ces réductions les fonctionnaires ne négligent pas leurs devoirs, ni ne méconnaissent les charges qui leur incombent.

Le Gouvernement Impérial, tout en poursuivant à l'intérêt du trésor, n'a pas perdu de vue les droits et les besoins légitimes des fonctionnaires.

Il a maintenu intacts tous les appointements au dessous de 3,000 piastres, attendu que leur réduction atteindrait gravement les moyens d'existence des employés qui les reçoivent. La réduction n'atteint que les hauts fonctionnaires, dont les émoluments, bien qu'amoindris, suffiront, cependant, à leurs besoins matériels, pourvu qu'ils s'abstiennent des dépenses superflues, réprouvées également par la loi divine et la raison.

Personne n'a donc le droit de se plaindre de la réduction qui vient être opérée, et c'est la première considération qui milite en sa faveur. En second lieu, il ne faut pas oublier que c'est la nécessité pressante du trésor qui a motivé la présente mesure. On peut invoquer également et comme une troisième considération le devoir de patriotisme qui nous oblige tous à nous imposer les sacrifices nécessaires pour l'œuvre commune de la prospérité du trésor public, auquel tous les sujets de l'Empire sont également intéressés.

C'est aussi un devoir de reconnaissance envers l'Auguste Souverain qui nous a toujours comblés de ses bienfaits.

Votre Excellence est priée de vouloir bien faire comprendre aux fonctionnaires placés

sous vos ordres l'importance du Projet de Loi dont il vient d'être question plus haut, et qui est destiné à donner de la stabilité aux emplois publics. Il faut que vous veilliez à ce que les fonctionnaires publics, au mépris des présentes instructions, ne s'écartent pas de la ligne de conduite dictée par l'honnêteté et la fidélité à leurs devoirs, pour chercher à se dédommager, par des moyens illicites, de la réduction de leurs appointements.

Et s'il y avait jamais des fonctionnaires assez malavisés pour entrer contrairement à la volonté de notre Auguste Maître, dans cette voie indigne, vous appliquerez immédiatement à leur égard, toutes les rigueurs de la loi, d'une manière exemplaire.

Les ressources créées par la réduction des appointements ne pourront couvrir qu'une partie seulement du déficit budgétaire. L'équilibre complet des finances n'est possible que par un accroissement plus considérable des recettes, et par d'autres réductions dans les dépenses. Pour compléter les décisions de la Commission des Réformes sur ces deux points essentiels, vous voudrez bien lui présenter par un rapport, dans le plus bref délai possible, vos observations sur les mesures que vous jugerez convenables à l'effet de supprimer, dans la province que vous administrez, les emplois inutiles, de réduire autant qu'il se peut le Budget Départemental, et enfin d'augmenter les recettes. En même temps que ce rapport, vous transmettrez à la Sublime Porte, les listes exactes, soit des réductions opérées, avec l'indication de leur chiffre et quantité, soit des augmentations des revenus avec leur nature et le montant de leur produit.

C'est par le payement des intérêts de la Dette Publique que les Conventions seront respectées, et le crédit de l'Empire assuré. Ce résultat ne peut être obtenu que par le recouvrement exact des recettes prévues. Aussi les efforts des Gouverneurs-Généraux pour atteindre ce but important rencontreront l'entière approbation de la Sublime Porte. Toute conduite contraire à cette règle entrainera naturellement sur les Gouverneurs une grave responsabilité.

Vos collègues des autres vilayets ayant reçu des instructions identiques, vous voudrez bien, en ce qui concerne la province confiée à votre administration, procéder avec le zèle et l'intelligence qui vous caractérisent à l'exécution des mesures qui viennent d'être énoncées.

No. 4 A.

Mr. Franklin to the Earl of Derby.—(*Received September* 5.)

My Lord, *London Institution, Finsbury Circus, September* 7, 1875.

UNDER date of 29th June, Lord Tenterden did me the honour to acknowledge receipt of the Memorandum transmitted by me on 26th of same month, wherein were indicated points in which a so-called Convention between the Ottoman Government and its own bankers violate essential conditions of the original contract for this Loan. Among the papers then on the table of Parliament was not included one dated 27th of the preceding April, wherein the Bank had pretended to justify its action in the matter. Since then currency has been given to that paper, and your Lordship's justice is relied upon promptly to afford like currency to the following refutation of the Bank's injurious misrepresentations.

The Bank pretends that:—

"In 1873 the Imperial Ottoman Bank concluded arrangements with the contractors of the Loan respecting its future service."

This makes no disclosure of who were they that in capacity of "contractors" arrogated to themselves the power to surrender rights and securities which are the very essence of the original contract, set forth in bonds long ago passed out of their hands.

Suppose among the first contractors had been managers of the Bank itself, who, to avoid identification, had commissioned themselves, *i.e.*, the Bank in its corporate capacity, to act as "agents of the contractors" for disposal of the bonds at a notable advance upon the true contract price. Suppose also that the same financiers have afterwards, from time to time, involved the Porte in onerous pecuniary obligations, and contrived to fund them by new creations of bonds. And suppose, moreover, those same financiers get themselves constituted Receivers-General of all Revenues, including those expressly assigned for service of the 1862 Loan, with opportunity to intercept and divert those assignments to the service of later Loans in hotch-pot, or, for preferential satisfaction of their own claims in any other shape. Then on what pretext could they, their agents or allies, affect to represant *bond fide* holders of the 1862 bonds, whether as contractors, attorneys, or in any other capacity?

Be it remembered, that a sufficient protest against all and every such pretence of agreement to the so-called Convention or arrangement, was, at its inception, served upon all concerned, as well as transmitted by your Lordship's own agency to Constantinople. Moreover, and on supposition that the so-called Convention could supersede the original contract, is it not confessed by the Bank's latest statement, now under review, that not even a bare announcement of monthly entries to credit of the 1862 Loan can be issued unless and until the Ottoman Finance Minister of the day shall have signified his approval! Consequently, nothing can be secure until control over the bondholders' dues has passed out of reach of the Government, of its bankers, and of the creditors of either, into the safe custody of approved receivers.

I crave your Lordship's excuse for my inability to avoid reference to the critical position in which the 1862 bonds have been placed by Earl Russell's recent appeal (not authoritatively deprecated) for aid to Ottoman subjects whose aim is to disintegrate the Ottoman Empire. As frequently shown, this particular Loan was recommended to British capitalists by the Government of Lord Palmerston, for support of British interests in the integrity of that Empire. The signature of Earl Russell, then at the Foreign Office, was virtually endorsed upon the prospectus which, as represented, had been settled with approval of Mr. Layard (Under-Secretary). And Ministers of the Crown, in their places in Parliament, advocated the investments in manner to educe premonitory notice of the rights of recourse which, in certain contingencies, naturally arise.

That Her Majesty's Representatives have since then withheld that earnest support of the bondholders' rights, which might have accomplished its ends, is indisputable. The degradation in value of the 1862 bonds now witnessed is the obvious consequence. The 5,000,000*l.* sterling of the Loan which remained to be paid off within eleven years should, at the rate of emission, be now worth circa 4,000,000*l.*, *i.e.*, 80*l.* per 100*l.* bond, whereas the market quotation of value is less than 3,000,000*l.*, *i.e.*, 60*l.* per 100*l.* bond—a price rebated at 18 per cent. per annum.

None will presume to contest the right of Great Britain to reverse its traditional policy in Eastern affairs, at instance of Her Majesty's responsible advisers, and by sufferance of Parliament, but British subjects, whose money had been advanced for maintenance of that policy, at instance of their own Government, are reduced by a reversal of it to the position of those whose private property is expropriated for public service.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 4 B.

Mr. Lister to Mr. Franklin.

Sir, *Foreign Office, September* 13, 1875.

IN acknowledging the receipt of your letter of the 7th instant, I am directed by the Earl of Derby to refer you to Lord Tenterden's letter of the 29th of June last, stating that his Lordship cannot interfere further in support of the bondholders of the Ottoman Loans of 1858 and 1862.

I am, &c.
(Signed) T. V. LISTER.

No. 5.

Sir H. Elliot to the Earl of Derby.—(*Received September* 14.)

(No. 524. Confidential.)

My Lord, *Therapia, September* 7, 1875.

THE Porte is in the greatest straits to find the money for the payment of the October coupons, which must be borrowed for the purpose, there being no available funds in hand.

It has appealed to the Imperial Ottoman Bank, as it was bound in the first instance to do, but the managers do not appear satisfied with the security offered, and the Grand Vizier has sent me the most pressing requests to use any influence I possessed with them to induce them to come to terms.

I replied that I had neither authority nor influence with the Bank, and that I could not even express an opinion in regard to any of its operations.

The most I could do was to say to Mr. Foster that I should be very glad to hear that the Bank had been able to help the Porte in its present difficulties.

I inclose the copy of a private note which I sent to Mr. Foster in this sense, as I was unwilling that the Grand Vizier should imagine me indifferent to the difficulty in which the Turkish Government are at this moment placed.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 5.

Sir H. Elliot to Mr. Foster.

(Private.)
My dear Mr. Foster, *Therapia, September* 6, 1875.

THE Grand Vizier sent to me this morning to beg me to say a word to you about the advance which he is anxious to get from the Bank.

I said that it was a matter in which I could not possibly interfere, and that, if I was ever so much disposed to do so, I had neither authority nor influence to exert in the operations of the Bank.

I know nothing of the arrangements which the Porte is trying to make with the Bank, but I shall be very glad to hear that you are able to give it a lift out of present difficulties.

I have, &c.
(Signed) HENRY ELLIOT.

No. 6.

Sir H. Elliot to the Earl of Derby.—(Received September 17.)

(No. 525.)
My Lord, *Therapia, September* 7, 1875.

IT has long been seen that the day could not be very far distant when this country would find itself unable to pay the interest on its public debt; but I have been surprised to find how rapidly the impression has gained ground that some measure of repudiation has become inevitable, and that the sooner it is resorted to, the less will be the evil of it.

I know this opinion to be held by many of the best financial authorities here; but it is only gradually that it is being adopted by the Turks, who must be allowed the credit of having showed their anxiety to fulfil their engagements as long as it was within their power to do so; but when dividend after dividend has to be provided for by money borrowed at an ever-increasing rate of interest, it is evident what the end must be.

If the Government succeed in getting from the banks the advance that is required, the coupon due upon the 1st of October will be paid; but there is, I think, a great probability that, before the next dividend becomes due, some great resolution will have been taken in regard to the debt; and I have reason to believe that the present Grand Vizier, although he has never intimated anything of the kind to me, has made up his mind to deal with it.

The measure which seems the most probable is the summary reduction of the interest upon the debt from 5 to 3 per cent.; and I have heard it keenly argued by persons far from indifferent to the interests of the bondholders that it is what would be most to their ultimate advantage.

It is maintained that, after such reduction, the bondholders would still receive 6 or 7 per cent. for their money, instead of 10 or 11 per cent. as at present; and that they would be in a safer position by the greater prospect of avoiding a complete bankruptcy, since the saving to the Porte would be sufficient to establish an equilibrium between the revenue and expenditure; but any security which this could afford must be set off against the uncertainty that when such a simple mode of escaping from financial difficulties had once been tried, it might not be again repeated, if a similar necessity were to occur.

I have, &c.
(Signed) HENRY ELLIOT.

No. 7.

Sir H. Elliot to the Earl of Derby.—(Received September 19.)

(Telegraphic.) *Therapia, September* 19, 1875, 6 P.M.

THE Porte has not yet been able to conclude the arrangement with the Ottoman Bank for an advance for the payment of the October dividend.

If they do not obtain the money within a week the dividend cannot be paid.

No. 8.

Sir H. Elliot to the Earl of Derby.—(Received September 25.)

(Telegraphic.) *Therapia, September* 24, 1875, 8·40 P.M.

THE arrangement with the Ottoman Bank for the payment of the October dividends has been concluded.

No. 9.

Sir H. Elliot to the Earl of Derby.—(Received October 2.)

(Secret.)
(Telegraphic.) *Therapia, October* 2, 1875, 1.1 P.M.

THE interest upon the Turkish National Debt will be reduced by one half.

It is intended that revenues for the punctual and permanent payment of the reduced rate of interest shall be placed in the hands of an European Syndicate.

No. 10.

Sir H. Elliot to the Earl of Derby.—(Received October 6.)

(Telegraphic.) *Therapia, October* 6, 1875, 3·35 P.M.

THE Imperial Iradé for the reduction of the interest will probably be issued this evening, and the Grand Vizier denies having authorized the contradiction given yesterday by Reuter's agency.

The half of the interest will not be entirely repudiated, but transferable bonds bearing interest and payable after five years will be given for it.

After the five years the payment of the present rate will be resumed.

Till the Iradé is published the proposal is held secret.

No. 11.

Sir H. Elliot to the Earl of Derby.—(Received October 7.)

(Telegraphic.) *Therapia, October* 7, 1875, 12·30 P.M.

THE Iradé reducing the interest is issued.

It states that, with regard to guarantees, the Porte will leave to syndicate the revenues of the Customs, salt, tobacco, the Egyptian tribute, and, if necessary, the sheep tax.

It concludes with the following words:—

"La sécurité qui résultera de l'affectation immédiate de garanties aussi sérieuses devant écarter la méliance publique, en conséquence le Gouvernement Impérial, en vue de ramener la confiance par le parfait équilibre du budget, et se proposant de payer jusqu'à cinq années entières révolues, les intérêts moitié en espèces et moitié en obligations seulement portant cinq pour cent d'intérêts, après avoir mûrement délibéré sur la nécessité impérieuse de reduire à moitié le coupon, déclare officiellement qu'il a décidé de payer à partir de ce jour la moitié seulement de l'équivalent en espèces de chaque coupon."

No. 12.

Sir H. Elliot to the Earl of Derby.—(Received October 7.)

(Telegraphic.) *Therapia, October 7, 1875, 1 P.M.*

I HAVE received from Safvet Pasha an official note stating that the reduction of the interest does not apply to the guaranteed Loan of 1855, upon which the interest will be paid as before.

No. 13.

Memorandum of Conversation between M. d'Harcourt and Mr. Lister.

THE French Ambassador called yesterday and said that the French Government would protest against the reduction of the interest on the Turkish bonds, and wished to know what course Her Majesty's Government would pursue.

We might of course protest, but the Porte cannot pay without imposing additional taxes, and that is not the course that we are recommending at this moment, either on political or commercial grounds.

(Signed) T. V. LISTER.

October 7, 1875.

No. 14.

Sir H. Elliot to the Earl of Derby.—(Received October 8.)

(No. 592.)

My Lord, *Therapia, September 26, 1875.*

THE inclosed extract from the "Levant Herald" contains, I believe, a correct statement of the arrangement made by the Porte for the payment of the October dividend upon the Public Debt.

The dividend due in January is considerably heavier, and it is uncertain what course the Government may pursue in regard to it, for, while it is certain that it cannot be provided for out of the revenue, it is becoming clear that their power of borrowing is very nearly exhausted, and those who hold Government paper are becoming more and more anxious lest, by persisting in these ruinous advances or loans, the country may be brought to a state of total bankruptcy; and they would now willingly accept an arrangement involving a partial repudiation, if it could be accompanied by a satisfactory guarantee for the security of the rest.

That some measures of the kind will very soon be proposed, is, I think, inevitable, but where the security is to be found against a future resort to a second repudiation it is not easy to say.

I have, &c.

(Signed) HENRY ELLIOT.

Inclosure in No. 14.

Extract from the "Levant Herald."

PAYMENTS OF THE OCTOBER COUPONS.—The advance to the Treasury for the payment of the October coupons amounts to 1,500,000*l.* sterling. It is repayable in four monthly instalments, commencing in October and ending in January. The interest is at the rate of 12 per cent. per annum, with ½ per cent. commission per month, amounting to 18 per cent. per annum. The repayment is secured upon the revenue collected by the Imperial Ottoman Bank on account of the Foreign loans and General Debt. Of this advance, the local banks take one half, or 750,000*l.*, while the Imperial Ottoman Bank,

with its group, takes the remainder. The two previous advances falling due in October, and amounting to about 1,300,000*l.*, will probably be renewed for three months, at the same rate of interest, with security of the Five per Cent. stock in the hands of the Bank (representing the option of the last loan), calculated at 30*l.* per 100*l.* stock.

The negotiations for the advance of the 1,500,000*l.* are definitely concluded, and the Bank will, in all probability, sign the contract in the course of to-day. The negotiations with regard to the other advances are not in quite such a forward stage. There is also another advance, falling due in October, of 1,800,000*l.*, which will be renewed by the Syndicate of the 1873 Loan.

Galata, Saturday noon.

Yesterday afternoon Five per Cents. fluctuated in price in Galata between 40¼ and 40, the latter being the closing quotation. The telegraph this morning shows a falling off yesterday in the London and Paris prices, and the Khan is very flat in consequence. Five per Cents. opened this morning at 39 28.40, and the mid-day quotation is 39 33.40, with but little business doing. The same heaviness prevails in all other values, and even Roumelian Railway bonds are neglected at 118½ to 119.

No. 14*.

Sir H. Elliot to the Earl of Derby.—(Received October 8.)

(No. 617. Confidential.)

My Lord, *Therapia, September 30, 1875.*

IN reporting to your Lordship, a few days ago, that the Porte had succeeded in obtaining a loan for the payment of the October dividend, I added, that the financial difficulties had reached a point which rendered a measure of repudiation, in some shape, inevitable.

The Grand Vizier appears already to have made up his mind upon the subject, and desired Mr. Sandison to communicate his views to me by the secret report herewith inclosed.

Although convinced of the necessity of the step which he proposes, the Grand Vizier is greatly disturbed by the apprehension of the effect which it may produce in England; and, in communicating his intention to me, his wish was, that in submitting it to the Sultan, he might be able to tell His Majesty that I was not unfavourable to it; and that there was no danger of Her Majesty's Government formally protesting against it.

I could not consent to assume any such responsibility.

It is undoubtedly my own opinion that the interests of the bondholders may be better secured by a reduction in the rate of interest, if solid guarantee, such as those promised by the Grand Vizier, can be obtained, than by an attempt to continue a hopeless struggle to provide means for paying the whole interest by loans which only involve the country further; but I could not take upon myself to say that I approved of a measure of which the immediate effect would be the loss of several millions a-year to the British bondholders.

I desired Mr. Sandison to remind the Grand Vizier that Her Majesty's Government could not forget that the present embarrassments would not have occurred if attention had been paid to the continual warnings which they had given to the Porte, that unless it took measures to improve the financial administration of the country, by an improved mode in the collection of the revenue, by a study of economy, and the development of the natural resources of the Empire, the ruin which has now come upon it, could not long be deferred.

These warnings had been neglected, and it could not be expected that Her Majesty's Government would be indifferent to the injury thereby done to many British subjects.

I should, however, submit to Her Majesty's Government His Highness's statement of the actual financial condition; and I should express to them my own conviction that he had not exaggerated the difficulties.

A repudiation, such as he meditated, would not fail to produce indignation on the part of the sufferers; but the manner in which it was regarded would be greatly influenced by the measures which he might propose for guaranteeing them from further loss.

The Grand Vizier beggod that the communication he had made to me through Mr. Sandison, might be regarded as most secret.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 14*.

Mr. Sandison to Sir H. Elliot.

(Most Secret.)
Sir, *Therapia, September* 28, 1875.

THE Grand Vizier sent for me to-day in order, he said, to disclose to your Excellency the financial situation of Turkey, which his Highness formally declared to be on the very brink of national bankruptcy.

It was idle to hope, even under the best administration, to develop the resources of the country, or to effect the various reforms required by its present circumstances, with an exhausted credit and Treasury, and, what was still more serious, with a deficit of no less than 8,500,000*l.* sterling staring the Government in the face during the current financial year. This deficit arises, 1st, from the 5,000,000 sterling borne on the Budget; 2nd, from 2,000,000 required for the maintenance of the military forces during the winter in the north-western provinces of European Turkey; and, 3rdly, 1,500,000, if not more, from the proposed reduction of the tithes, which His Highness considers must absolutely be brought to their former level, in order to remove one of the principal causes of discontent throughout the Empire.

In the train of the national bankruptcy must follow the political collapse of the Empire, which it would be difficult to avoid, since the Government is not even able to provide sufficient military forces during the present emergency from sheer want of money.

On due consideration, His Highness has come to the conclusion that the time has actually arrived for Turkey to choose between national bankruptcy and dissolution. As a patriot he would rather naturally prefer the former alternative, but he would rather resign than repudiate entirely the general liabilities of the Government.

He would, in particular, bear in mind that out of a national debt of ,000,000 sterling, 100,000,000 belonged to the English public, which he would gladly see in a safer position. But his Highness felt distressed to see that stern necessity, arising from the utterly hopeless financial prospects of the country, would drive him almost immediately to the sad alternative of disclosing the financial situation to the Sultan, and of obtaining His Majesty's sanction to the reduction, by one-half, of the interest now paid on the foreign loans and 5 per cents. ("dette générale"), excepting the one of 1855, which is guaranteed by the British and French Governments.

The general outcry would of course be great; his Highness forsees and regrets it; but where is a remedy to be found when the country is literally verging on ruin?

His Highness proposes, however, that no such reduction should take place, unless the Government provide or furnish solid and acceptable guarantees in regard to the punctual payment of the reduced interest for the future, which, his Highness hopes, may even ultimately raise the credit of the country.

But before taking any steps in the matter, his Highness is particularly anxious to know how far he could reckon on your Excellency's assistance in laying before Her Majesty's Government the real situation, and in justifying the measure so imperatively called for by the present circumstances of the Government and country.

I have, &c.
(Signed) A. SANDISON.

No. 15.

Sir H. Elliot to the Earl of Derby.—(Received October 9.)

(Telegraphic.) *Therapia, October* 9, 1875, 3 P.M.

THE following explanatory notice about the reduction of the rate of interest has been issued :—

"A dater de ce jour (6 Octobre, 1875), et pendant une période de cinq ans, la moitié des intérêts et de l'amortissement des dettes intérieures et extérieures, dont le service annuel monte à environ quatorze millions, est et demeure supprimée.

"En dédommagement du non paiement de ces sept millions de livres, il sera payée une somme calculée à raison de 5 pour cent, somme dont la quotité sera de 350,000 livres par an. Les titres provisoires qui seront délivrés pour cet objet auront cours pendant cinq ans seulement, et serviront de garantie au paiement, pour chacune des cinq années, de la dite somme exclusivement de 350,000 livres."

No. 16.

Sir H. Elliot to the Earl of Derby.—(Received October 9.)

(Telegraphic.) *Therapia, October* 9, 1875, 3·20 P.M.

I HAVE asked for an explanation of the explanatory note about the Public Debt.

From the first notice it was understood that half the interest would be paid in money and half in obligations, but, from the explanatory note, it appears that it is intended to pay only the interest upon the interest for which the paper is given.

No. 17.

M. Visconti Venosta to M. de Martino.—(Communicated to the Earl of Derby, October 9.)

(Télégraphique.) *Rome, le* 8 *Octobre*, 1875, 10 P.M.

JE viens de recevoir la communication officielle de la mesure très grave prise par le Gouvernement Turc de payer pendant cinq ans coupons moitié en espèces et moitié en obligations portant l'intérêt du cinq pour cent.

Je vous prie de me faire connaître par le télégraphe l'avis et les décisions du Gouvernement Anglais. J'ai réservé mon opinion et ma liberté d'action. Je désire marcher d'accord avec les autres Gouvernements sur les démarches à faire sur une question qui intéresse le crédit public.

No. 18.

Sir H. Elliot to the Earl of Derby.—(Received October 10.)

(Telegraphic.) *Therapia, October* 10, 1875, 4 P.M.

THE following further official explanation has been issued respecting the reduction of the interest.

It differs very materially from the last:—

"1. A dater de ce jour les intérêts et l'amortissement des dettes intérieures et extérieures de l'Empire Ottoman sont reduits à moitié pour un terme de cinq ans.

"2. Le paiement de ces coupons se fera de la manière suivante: la première moitié en espèces intégralement, et la seconde moitié en nouveaux titres portant cinq pour cent d'intérêts payables également en espèces, simultanément avec les échéances de la première moitié.

"3. Les garanties affectées, tant au paiement intégral en espèces de la première moitié jusqu'au paiement du dit cinq pour cent d'intérêts consistent en les revenus totaux des douanes, en ceux du tabac et du sel, ainsi qu'au tribut de l'Égypte, et en cas d'insuffisance, il y sera parfait sur la taxe des moutons.

"4. Si à l'expiration des dites cinq années, la susdite seconde moitié du coupon transformée en un capital portant cinq pour cent d'intérêts n'était pas remboursée, il y aura une nouvelle prolongation de délai jusqu'à la parfaite extinction du plus prochain emprunt extérieur, dont les garanties se trouvant dès lors dégagées, serviront au remboursement intégral du dit cinq pour cent, intérêts et amortissement compris."

No. 18*.

Mr. Corfield to the Earl of Derby.—(*Received October* 11.)

My Lord, 31, *Porchester Square, W., October* 9, 1875.

REFERRING to the letters which I have had the honour to address to your Lordship during the last sixteen months on the subject of Turkish finance, and laid before Parliament, I beg leave respectfully to point out that the period has now arrived when diplomatic interference can no longer be delayed by England and the other Powers, whose subjects, it would appear from an official notification, are to be defrauded to the extent of nearly 80,000,000*l.* by the Porte. Your Lordship will remember that not long before the Ottoman Bank was made "Receiver-General of all the Revenues," it was proposed that the Porte should allow the appointment of an International Commission to manage the finances of Turkey, this was evaded, and an Iradé was issued, giving full powers to the Ottoman Bank, and upon the faith of this arrangement the Porte, in September, 1874, was able to issue a 5 per cent. stock of 40,000,000*l.* at 43½ per cent., and 7,000,000*l.* of this sum was left in the hands of the Bank. Shortly afterwards the Bank allowed the Iradé to be treated as a dead letter by the Porte, and kept the fact from the knowledge of the world. This has now been proved by the Decree just issued, by which "Special Treasuries are to be appointed for the collection of the revenues specially hypothecated to the different loans, but without, however, thereby prejudicing the rights resulting from the concessions made to the Imperial Ottoman Bank"

It is, therefore, absolutely necessary that any new arrangement that is entered into by the Porte should be with an International Commission, invested with a diplomatic character. The functions of such a Commission will be very simple, as after having received the revenues they will have to administer them according to the principles and practice of Courts of Equity; or, in other words, to pay the bondholders according to their priorities. No convention with a Joint Stock Company will meet the purpose, as it would not have sufficient power to maintain the stipulations of the convention, and justice to the bondholders can now only be done by an International Commission, in the formation of which England, France, Austria, and Italy should take the lead. Your Lordship will remember the words of Mr. Bruce, the Chairman of the Ottoman Bank, when speaking on Mr. Yorke's motion—"That most of the administrative difficulties in Turkey arose from the absence of that influence formerly exercised by the English Government."

On the part of the bondholders of the 1858 and 1862 Loans, holding upwards of 1,000,000*l.*, and of the bondholders generally, I respectfully request that your Lordship will advise your colleagues no longer to delay exercising the influence possessed by England, and as a preliminary step that your Lordship will be pleased to forward a copy of this letter to Sir Henry Elliot, with such instructions as your Lordship may think proper and expedient under such an unprecedented catastrophe.

I have, &c.
(Signed) G. K. CORFIELD.

No. 19.

Mr. Hyde Clarke to the Earl of Derby.—(*Received October* 11.)

My Lord, 10, *Moorgate Street, London, October* 9, 1875.

THE receipt in London of telegrams announcing ambiguous measures with regard to the Public Debt of Turkey have been received with deep concern by the holders of the 1862 Loan.

Already many of their influential constituents have called upon the Joint Commissions for the Ottoman Loans of 1858 and 1862 to execute the functions devolving upon

them, in pursuance of the Convention of 4th February, 1873, entered into between the Ottoman Government and the bondholders.

This Loan was raised under exceptional stipulations, under which the Ottoman Government have voluntarily and publicly acknowledged the right of the bondholders, in case of any infringement, to enter on the receipt of the revenues pledged for its fulfilment, and to put the Syndicate in operation.

The rights acquired by the holders of the 1862 Loan, under the Convention, the Joint Commissions are instructed to maintain, and I have the honour to request that your Lordship will instruct Her Majesty's Minister at Constantinople to do what he can, unofficiallly, in the interests of the bolders of that Loan.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 20.

Musurus Pasha to the Earl of Derby.—(*Received October* 11.)

My Lord, *Ambassade Impériale Ottomane, Londres, le 9 Octobre*, 1875.

CONFORMEMENT aux instructions de mon Gouvernement, j'ai l'honneur de communiquer à votre Excellence les copies ci-jointes d'une Déclaration publiée par la Sublime Porte en date du 6 de ce mois relativement à la réduction des intérêts et de l'amortissement des dettes intérieures et extérieures de l'Empire, et d'une note explicative de cette réduction, et datée du 7 du même mois.

J'ai, &c.
(Signé) MUSURUS.

Inclosure 1 in No. 20.

Official Notification respecting the Reduction of Interest.

Constantinople, le 6 Octobre, 1875.

TOUT le monde a pris connaissance du déficit du budget des recettes et des dépenses de l'Empire Ottoman publié dans la présente année, déficit qui a dépassé le chiffre de cinq millions de livres; bien plus, on ne saurait se dissimuler que le même déficit dépasserait encore ce chiffre, si on le soumettait à un nouvel examen. En présence de cette situation, l'habitude d'avoir recours à un emprunt avec la Banque pour le payement à temps du coupon des emprunts, et de contracter ainsi une dette pour en rembourser une autre, a abouti à rien moins qu'à grossir de jour en jour le déficit, aussi bien qu'à ébranler à la fin la confiance des actionnaires. Le système qu'on a ainsi suivi, et la confiance disparue, sont parvenus à un degré tel qu'il se trouve être amplement constaté par l'état de la Bourse et le cours des fonds, ainsi que par les pertes que les détenteurs de nos obligations éprouvent du chef de leur capital aujourd'hui. Tant que la Sublime Porte n'aura pas assuré des garanties réelles et solides pour cet objet, il est évident que les propriétaires desdites obligations finiront par tout perdre. Le Gouvernement Impérial déclare de nouveau en toute sincérité que, dans ses intentions loyales et généreuses, il ne saurait en aucun temps tolérer les graves préjudices occasionnés aux capitalistes et aux détenteurs dont les capitaux profitent à l'Empire.

Quant à la question des garanties, la Sublime Porte déclare, sous la condition de sauvegarder les droits et les priviléges de la Banque, tenir à la disposition des Syndicats qui pourraient être désignés, les revenus généraux des douanes, ceux du sel et des tabacs, ainsi que le tribut de l'Égypte, et en cas d'insuffisance, les produits de la taxe sur les moutons: la sécurité qui résultera de l'affectation immédiate de garanties aussi sérieuses devant écarter la méfiance publique. En conséquence, le Gouvernement Impérial, en vue de ramener la confiance par le parfait équilibre du budget, et se proposant de payer, jusqu'à cinq années révolues, les intérêts, moitié en espèces et moitié en obligations seulement portant cinq pour cent d'intérêt, après avoir enfin mûrement délibéré sur la nécessité impérieuse de réduire à moitié le coupon, déclare officiellement qu'il a décidé de payer, à partir de ce jour, la moitié seulement de l'équivalent en espèces de chaque coupon.

Inclosure 2 in No. 20.

Official Note explanatory of that of the 6th October.

Constantinople, le 7 Octobre, 1875.

A DATER de ce jour, c'est à dire du 6 Octobre, 1875, et pendant une période de cinq ans, la moitié des intérêts et de l'amortissement des dettes intérieures et extérieures, dont le service annuel monte à environ quatorze millions de livres, est et demeure supprimée. En dédommagement du non payement de ces sept millions de livres, il sera payé une somme calculée à raison de cinq pour cent, somme dont la quotité sera de 350,000 livres par an. Les titres provisoires, qui seront délivrés pour cet objet, auront cours pendant cinq ans seulement, et serviront de garantie au payement pour chacune de ces cinq années de ladite somme exclusivement de 350,000 livres.

No. 21.

Musurus Pasha to the Earl of Derby.—(Received October 12.)

My Lord, *Ambassade Impériale Ottomane, Londres, le 11 Octobre*, 1875.

CONFORMEMENT aux instructions de mon Gouvernement, j'ai l'honneur de communiquer à votre Excellence la copie ci-jointe d'une Déclaration officielle publiée par la Sublime Porte le 10 de ce mois, et contenant des explications catégoriques définitives sur la Déclaration précédente, relativement à la réduction des intérêts, et de l'amortissement des dettes intérieures et extérieures de l'Empire.

J'ai, &c.
(Signé) MUSURUS.

Inclosure in No. 21.

Official Declaration.

Constantinople, le 10 Octobre, 1875.

LA Déclaration de la Sublime Porte du 6 Octobre, 1875, avec la note explicative qui l'accompagnait, ayant été l'objet de diverses interprétations, tant à la Bourse que de la part de plusieurs capitalistes et maisons de banque, le Gouvernement Impérial, pour éviter à l'avenir toute équivoque, et en vue de donner, une fois pour toutes, des explications catégoriques définitives, déclare ce qui suit :—

1. A dater de ce jour, les intérêts et l'amortissement des dettes intérieures et extérieures de l'Empire sont réduits à moitié pour un terme de cinq ans.

2. Le payement de ces coupons se fera de la manière suivante : La première moitié intégralement en espèces, et la seconde moitié en nouveaux titres portant cinq pour cent d'intérêts payables également en espèces, simultanément avec les échéances de la première moitié.

3. Les garanties affectées tant au payement intégral en espèces de la première moitié, qu'au payement dudit cinq pour cent d'intérêts, consistent en les revenus totaux des douanes, en ceux du tabac et du sel, ainsi qu'au tribut d'Egypte ; et, en cas d'insuffisance, il y sera parfait sur les taxes des moutons.

4. Si, à l'expiration des dites cinq années, la susdite seconde moitié du coupon transformée en un capital portant cinq pour cent n'était pas remboursée, il y aura une nouvelle prolongation de délai, jusqu'à la parfaite extinction du plus prochain emprunt extérieur dont les garanties, se trouvant dès lors dégagées, serviront au remboursement intégral dudit cinq pour cent, intérêts et amortissement compris.

No. 22.

Sir H. Elliot to the Earl of Derby.—(Received October 15.)

(No. 638.) *Therapia, October 6*, 1875.

My Lord,

AS the Grand Vizier had told the French Ambassador and myself of the resolution which had been come to of reducing the interest on the Public Debt of Turkey, it was with extreme surprise that we heard yesterday afternoon that His Highness had directed the Reuter Agency to deny on authority that any such intention was entertained.

We both felt that if we allowed this contradiction to pass unnoticed, we might be almost regarded as parties to an unjustifiable act of deception, and we agreed to call together on the Grand Vizier this morning to insist upon the matter being put right.

We consequently said to His Highness that we could not allow the British and French bondholders to be deceived in this way, and that means must at once be found of disavowing the communication of yesterday.

His Highness replied that the announcement of the Reuter's Agency had been made without his authorization ; a statement which I must observe to your Lordship I believe to be widely removed from the truth.

It would however be unnecessary for him to take any notice of it, for its most complete contradiction would be the publication of the Imperial Iradé, which he expected every moment to receive from the palace, and which would be published in the course of the day.

My colleague and myself admitted that if this were done in the course of the day, it would be as effectual a refutation of the statement we complained of as could be given.

The Grand Vizier then went into some details of the measure as finally resolved upon, with which I will not trouble your Lordship, as the text of the Iradé will so shortly be in our hands.

His Highness having thanked us for the manner in which we had taken the communication of the painful decision to which he had felt himself compelled to come, M. de Bourgoing and I begged him distinctly to bear in mind that we must not be considered as having expressed either sanction or approval of it.

We were without instructions from our Governments, and could form no opinion of the manner in which they might receive the intelligence.

I had more than once already said this to His Highness, but I was not sorry to have the opportunity of repeating it in the presence of my colleague.

I have, &c.
(Signed) HENRY ELLIOT.

No. 23.

Sir H. Elliot to the Earl of Derby.—(Received October 15.)

(No. 641.) *Therapia, October 7*, 1875.

My Lord,

I RECEIVED last night the inclosed note from Safvet Pasha, transmitting the "Iradé" for the reduction of the interest on the Debt.

A modification has been introduced into the first project of entire repudiation of half the interest.

According to the "Iradé," half the interest is to be paid in money, and the other half in bonds bearing interest at 5 per cent. The revenues which are to be paid as security into the hands of the Syndicates to be appointed are those derived from the Customs, salt, and tobacco, the Egyptian tribute, and, if these are found insufficient, the sheep tax.

It is to be remarked that every one of these sources of revenue had already been assigned as securities for different foreign loans, and in some cases with the engagement that they should be paid to Syndicates. I pointed out both these circumstances when the project was first mentioned to me.

Whatever may have been the necessity or propriety of this act of repudiation, and although opinion is divided, the majority of the local financial public appears to recognize it, little is to be said in favour of the manner in which the decision has been come to, for it has been taken without any consultation with those who would have been competent to suggest the least injurious mode of making the declaration of insolvency.

Amongst other difficulties which may be expected, the appointment of the Syndicates to receive the revenues will probably be one of the first.

It is stated that the rights of the Imperial Ottoman Bank are to be maintained, but an essential part of the arrangement under which it was recently erected into a State Bank, was that all the revenues of the Empire were to be paid direct to it, and how this is to be reconciled with the payment of important branches of income to the proposed Syndicates, it is not at present easy to see.

Some of those who are most indignant at the act of repudiation, hope that the Governments of the countries of which the subjects will be the heaviest losers may yet force the Porte to retract it.

I confess that I cannot think the interest of the bondholders would be advanced if this could be effected.

It is undeniable that the Porte has not, at this moment, the money required for the ordinary service of the State. The advance for the payment of the October dividend was not obtained at less than 18 per cent., and after the shake now given to Turkish credit, an advance for the January and subsequent coupons, could hardly be got upon any terms.

The inclosed note from Safvet Pasha, containing a further explanation of the measure, has just reached me.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 23.

Safvet Pasha to Sir H. Elliot.

M. l'Ambassadeur, *Sublime Porte, le 6 Octobre*, 1875.

J'AI l'honneur de remettre ci-inclus à votre Excellence copie d'une publication officielle relative à la mesure qui vient d'être décrétée par la Sublime Porte pour le mode de paiement du coupon des dettes intérieures et extérieures de l'Empire Ottoman, paiement qui aura lieu pendant cinq ans, moitié en espèces et moitié en obligations portant cinq pour cent d'intérêts.

Le Gouvernement Impérial espère que votre Excellence voudra bien apprécier avec l'équité et l'impartialité qui la caractérisent les raisons impérieuses qui lui ont dicté l'application de cette mesure destinée à équilibrer le budget ainsi que les garanties sérieuses qui sont affectées au paiement du coupon ainsi réduit sans avoir désormais recours au système des emprunts qui ont porté une si grave atteinte à l'économie budgetaire de l'Empire.

Veuillez, &c.
(Signé) SAFVET.

Inclosure 2 in No. 23.

Official Notification respecting the Reduction of Interest, dated October 6, 1875.

[See Inclosure 1 in No. 20.]

Inclosure 3 in No. 23.

Official Note explanatory of that of the 6th October.

[See Inclosure 2 in No. 20.]

No. 24.

Sir H. Elliot to the Earl of Derby.—(Received October 15.)

(No. 643.)

My Lord, *Therapia, October 7*, 1875.

I HAVE the honour to inclose the copy of a note from Safvet Pasha stating that the reduction of the interest will not be applied to the guaranteed Loan of 1855.

A similar communication has been made to the French Ambassador.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 24.

Safvet Pasha to Sir H. Elliot.

M. l'Ambassadeur, *Sublime Porte, le 6 Octobre*, 1875.

POUR faire suite à ma lettre de ce jour concernant la déclaration de la Sublime Porte au sujet de la réduction du coupon des dettes intérieures et extérieures de l'Empire Ottoman, j'ai l'honneur d'informer votre Excellence que cette mesure restrictive ne devra nullement être appliquée à l'emprunt de 1855 garanti par le Gouvernement de Sa Majesté Britannique, et que le service des intérêts de cet emprunt continuera à se faire comme par le passé.

Je prie votre Excellence de vouloir bien prévenir son Gouvernement de ce qui précède, afin que cette décision de la Sublime Porte soit portée sans retard à la connaissance des contractants de l'emprunt dont il s'agit.

Veuillez, &c.
(Signé) SAFVET.

No. 25.

Mr. Webb to the Earl of Derby.—(Received October 16.)

My Lord, *High Park Lodge, Ryde, Isle of Wight, October 11*, 1875.

I VENTURE to draw your Lordship's attention to the case of the bondholders of Turkish 1854 Stock, with the hope that your intervention may be exercised on their behalf. The holders of this loan have invariably paid a price relatively to those and other Turkish Stock exceptionally high, in consideration of the solemnly pledged original security which it offers; and it is an act of singular and needless injustice on the part of the Porte to class them with those who have been deriving an enormous percentage from the purchase of bonds without special or with merely secondary guarantees.

I am, &c.
(Signed) J. G. HERBERT WEBB.

No. 26.

Mr. Brown to the Earl of Derby.—(Received October 16.)

Braywick House, Green Lanes, Stoke Newington,
My Lord, *London, October 14*, 1875.

AS I have no doubt your Lordship is inundated with letters from sufferers caused by the recent Decree of the Sultan, I shall be very brief in what I have to say. Had the Turkish Government only failed to pay the interest on its general debt, which has no sinking fund or hypothecations of any kind to secure it, no one would have been surprised, and no one could have complained, as it was well known that it depended upon whether or not there was a surplus revenue, or at least should have depended upon it, instead of ruinous loans. But to attempt to deal with special revenues which had been mortgaged to the bondholders without their consent, cannot, I think, be regarded in any other light than a deliberate fraud. Had they been consulted, I have no doubt they would have consented to accept 4 per cent. instead of 6 per cent. during the year 1876, to enable the Government to equalize its receipts and expenditure, and also agreed to reconsider the subject at the end of that time as to the necessity of continuing the reduction for a longer period. As regards the holders of the unsecured Loan, they have no legal or moral claim to anything until those of the others have been satisfied. But it is scarcely necessary to say that indirectly they would be greatly benefitted by the concession of the bondholders who hold hypothecated revenues. In treating both alike, the Turkish Government is intentionally acting most unjustly, or it has no perception between what is right and wrong.

I am, &c.
(Signed) D. F. BROWN.

No. 27.

Mr. Hyde Clarke to the Earl of Derby.—(Received October 16.)

Council of Foreign Bondholders, 10, Moorgate Street,
My Lord, *London, October 15, 1875.*

I HAVE the honour to inform your Lordship that at a meeting of the General Court of the Council of Foreign Bondholders, held on Thursday, the 14th instant, in consequence of the receipt of applications from numerous bondholders of the various Turkish Loans, it was moved by the Chairman, Sir John Lubbock, Bart., M.P., seconded by Mr. C. Surgey, and resolved—

"That a meeting of Turkish Bondholders be summoned to protest against the recent Decree, and to consider the best steps to be taken to protect the general interests of the bondholders."

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 28.

Lord Lyons to the Earl of Derby.—(Received October 16.)

(No. 849. Confidential.)
My Lord, *Paris, October 15, 1875.*

THE Duc Decazes came to see me yesterday, and begged me to communicate to your Lordship his opinion that it was extremely desirable, not to say necessary, that some steps should be taken by the Governments of France and England with regard to the reduction of the interest on its debts, which had been made in so arbitrary and improper a manner by the Turkish Government.

The Duke observed that, considering the large amount of Turkish Stock held by Frenchmen, and the very considerable portion of it which was in the hands of persons of small means, who had invested their scanty savings in it, the French Government could not be indifferent to the ruin the Porte was bringing upon its creditors; nor, indeed, could the French Government meet the National Assembly without being able to show that they had done all in their power to alleviate the misfortune which had fallen on so many Frenchmen. The same considerations were, the Duke thought, equally applicable to England and to Her Majesty's Government.

The Duke proceeded to observe that to several of the loans particular branches of the Turkish revenue had been assigned as special securities, but that the recent measure seemed to have swept away all these special guarantees, and placed all the loans on the same precarious footing. It had, he said, been suggested that the foreign Powers whose subjects were interested in the matter might reasonably insist upon the Ottoman Government adhering to its engagements, so far at least as to continue to appropriate to each particular loan the special branches of revenue on the security of which it had been contracted. He did not, however, himself think that such an arrangement would be in fact equitable; and he thought it probable that the Porte might be supported by some Powers in resisting endeavours to effect it; and that any Powers which had recommended it might be placed in the position of having failed in an unfair attempt.

The Duke was, he said, for his part, more inclined to take a more general and equitable view, and to direct his efforts to obtaining for the holders of all the loans alike some effectual security that the half interest, now promised by the Porte, should be punctually paid, and not hereafter reduced. With this object, he was disposed to recommend that Commissioners, one appointed by each of the six guaranteeing Powers, should be given authority to superintend the Ottoman finances so far as to ensure a sum of seven millions sterling or thereabouts being set aside for the service of the loans.

I asked the Duke whether he had reason to suppose that the assent of the Porte could be obtained to such an arrangement.

He answered that, considering the position in which the Ottoman Empire stood with regard to the guaranteeing Powers, and the state of the Turkish finances, the Porte could hardly resist a proposal of the kind, if made jointly by all those Powers.

This naturally led me to inquire what information the Duke possessed as to the views of the several Powers.

He replied that he believed Italy would be ready to join in pressing an arrangement of the kind upon the Porte, but that he as yet knew but little of the dispositions of the three

great Empires. Russia and Austria appeared to act together, although there were obvious reasons why at bottom their wishes could not be quite the same with regard to Turkey On the other hand, Austria appeared to be too much in dread of Germany ever seriously to oppose any policy which was insisted upon by Prince Bismarck. Germany professed to stand aloof, to have no special views or interest of her own, and to make it her main object to support the other two Empires in Eastern questions, with a view to the maintenance of peace. She might not improbably view without dissatisfaction any dissensions which might arise between Austria and Russia on the present occasion, and in such a case she would no doubt be chiefly anxious to be agreeable to Russia. On the other hand, Russia had lately appeared desirous of establishing some counterpoise to the preponderance of Germany, and in particular of restoring the joint action of the six guaranteeing Powers in Turkish affairs. With regard therefore to the particular question of securing the payment of what remained of the interest of the Turkish Loans, Russia might not be averse to the institution of a commission in which all the guaranteeing Powers would be equally represented.

I suggested to the Duke, that as regarded the interest of their subjects in the question, the position of the other Powers seemed to differ a good deal from that of England and France. So far as I knew the amount of Turkish stock held in Germany and Austria was comparatively small, while little or none was held in Russia; and even in Italy the principal holders were said to be clerical partisans, who chose to lend to the infidel rather than to what they termed the sacrilegious Government existing in their own country.

The Duke said that his information as to the distribution of Turkish stock in foreign countries corresponded with mine; but that he thought that the Italian Government might be glad of an opportunity of making the clerical party feel the advantage of being protected by it.

His Excellency went on to say that the urgency of putting some check on the proceedings of the Turks had been made more than ever apparent by a telegram which he had just received from M. de Bourgoing, the French Ambassador at Constantinople. This telegram reported that M. de Bourgoing and Sir Henry Elliot had been summoned by the Sultan to an audience, and that His Majesty had declared to them with his own mouth that at the expiration of the five years no more bonds would be issued to compensate the unpaid half of the interest on the debts, and that at the end of that time half interest alone would be paid without any addition whatever.

The Duke observed that in telegrams which he had sent to Constantinople since the news of the Ottoman bankruptcy had reached him, he had not refrained from expressing in strong terms his opinion of the conduct of the Porte.

His Excellency concluded by saying that he had instructed M. d'Harcourt to take the earliest opportunity of speaking to your Lordship on the subject, and that he begged me to lose no time in directing your Lordship's attention to the views he had expressed to me.

I take advantage of the passage through Paris of the messenger Robbins to send a copy of this despatch to Her Majesty's Ambassador at Constantinople, under flying seal, to Her Majesty's Ambassador at Vienna.

I have, &c.
(Signed) LYONS.

No. 29.

Lord Lyons to the Earl of Derby.—(Received October 16.)

(No. 850.)
My Lord, *Paris, October 15, 1875.*

THE Permanent Committee of the National Assembly met yesterday in the ordinary course at Versailles.

The sittings of the Committee are not public, and no official report of the proceedings is made. Nevertheless accounts tolerably accurate of what takes place appear in the unofficial newspapers.

In the sitting of yesterday M. Lepère expressed a hope that the Government was taking all possible measures to protect the interests of the French holders of Turkish stock; and M. Buffet, the Prime Minister, replied that the Minister of Foreign Affairs was in communication on the subject with other Powers.

The following is the account of what occurred, given in the "Journal des Débats," of this morning:—

"M. Lepère dit qu'il n'est sans doute pas besoin de demander au Gouvernement si toutes les mesures sont prises pour sauvegarder les intérêts des capitaux Français si

malheureusement engagés dans les affaires Ottomanes. Il s'agit de sommes considérables; de deux milliards peut-être pour la France. L'honorable orateur est convaincu que le Gouvernement fait dès à présent tout ce qui est nécessaire pour protéger de pareils intérêts dans la mesure du possible.

" M. Buffet répond que cette situation de nos nationaux est l'objet des préoccupations du Gouvernement, et que le Ministre des Affaires Etrangères est en pourparlers avec d'autres Puissances également intéressées. M. le Vice-Président du Conseil ajoute que le chiffre indiqué par M. Lepère est d'ailleurs heureusement fort exagéré.

I have, &c.
(Signed) LYONS.

No. 30.

The Duc Decazes to the Marquis d'Harcourt.—(Communicated to the Earl of Derby by the Marquis d'Harcourt, October 16.)

Ministère des Affaires Etrangères, Paris, Octobre 15, 1875.

M. le Marquis,

LA catastrophe qui vient de frapper les créanciers de la Turquie a causé partout une émotion profonde. Il n'en pourrait être autrement. En effet, à des degrés différents les capitaux petits ou grands de tous les pays de l'Europe sont atteints par ce désastre, et les conditions dans lesquelles il s'est accompli ne sont pas faites pour atténuer le sentiment de désapprobation que la résolution du Gouvernement Turc a universellement provoqué.

C'est au moment où les Cabinets prêtent leurs concours amical à la Porte pour détourner les périls créés par l'insurrection de l'Herzégovine; c'est le jour même où leurs Consuls lui rendent le plus signalé service en opposant leur veto aux aspirations belliqueuses des Serbes, que ses Ministres avec le plus parfait dégagement de toute considération de devoir international infligent au marché Européen des sacrifices dépassant dès à présent le chiffre d'un milliard.

Pour d'autres raisons encore les Gouvernements devraient repentir vivement une pareille mesure, car la dette Turque présente un caractère propre qui semblait donner une autorité particulière aux contrats intervenus entre la Turquie et les prêteurs avec lesquels elle a traité. La plupart des emprunts Ottomans sont garantis par des revenus déterminés ayant une affectation spéciale, les uns par le tribut de l'Egypte, les autres par les recettes de certaines douanes, du tabac, du sel, du timbre, de l'impôt sur les moutons, &c. Cependant la Porte ne se borne pas aujourd'hui à réduire l'intérêt de sa dette, ou du moins à substituer pour une moitié le paiement en papier au paiement en argent; elle modifie non moins profondément le contrat en disposant de son plein gré des garanties stipulées comme si elles étaient libres entre ses mains.

Cette affectation nouvelle est aujourd'hui la seule sécurité qui soit laissé aux créanciers du Gouvernement Ottoman. Si elle leur échappait, la ruine si avancée maintenant, ne tarderait pas à être définitivement consommée et ne dépendrait plus que des hasards de la politique ou du plus ou moins de sagesse de l'administration générale des finances de l'Empire dont les fatals errements sont connus. C'est donc sur les garanties qui demeurent attribuées au service de la dette Ottomane que repose ce qui reste de la fortune des créanciers de la Turquie, et c'est sur la gestion de ces ressources que doivent se concentrer les efforts nécessaires pour préserver d'une spoliation complète les débris de si vastes capitaux irrémédiablement dissipés.

Les Cabinets sont certainement en droit, en cette circonstance, d'opposer à leurs nationaux la sage et féconde doctrine de la responsabilité individuelle. C'est celle de l'Etat Français en matière d'emprunts étrangers. Aujourd'hui que le marché des capitaux n'est pas moins étendu que celui des produits de l'industrie, que les valeurs mobilières s'engagent journellement dans tant d'entreprises internationales, les Gouvernements ne sont pas plus tenus de se porter garants des spéculations financières de leurs nationaux que de leurs opérations de commerce. Mais peuvent-ils leur refuser un appui quand des droits incontestables sont mis en cause? Peuvent-ils ne pas interposer leurs bons offices quand des contrats sont aussi ouvertement violés que l'ont été ceux par lesquels les souscripteurs de la plupart des emprunts Turcs avaient obtenu en garantie certains revenus nominativement désignés de l'Empire Ottoman? L'étendu des intérêts compromis qui sont, pour plusieurs Puissances, une partie importante de la fortune publique, suffirait seule à justifier de leur part la plus active sollicitude.

Il ne saurait donc à nos yeux exister aucun doute sur le droit qui nous appartient de

ne pas nous tenir à l'écart des arrangements qui vont être pris à Constantinople d'après les déclarations mêmes du Grand Vizir, pour organizer les Syndicats à la disposition desquels seront remis les revenus affectés à la garantie de la dette. Il est de la plus extrême importance que les garanties soient solidement constitutées et sagement administrées. Je l'ai déjà dit, et je n'ai pas besoin d'insister plus longuement pour démontrer que tout l'avenir des créanciers en péril y est subordonné. Le passé nous apprend aujourd'hui par un douloureux enseignement combien il en pourrait couter à l'Europe de se désintéresser des mesures devenues urgentes pour la sauvegarde des capitaux engagés dans les emprunts Ottomans.

Par mon télégramme du 5 courant, je vous ai prié d'appeler sur la situation qui venait de nous être révélée l'attention du Cabinet Britannique, et de lui demander dans quelle mesure il croirait protéger les intérêts Anglais atteints par la résolution qui venait d'être prise à Constantinople. Depuis je vous ai tenu exactement au courant des informations que je recevais aussi bien que des suggestions que je faisais parvenir à M. de Bourgoing. Vous avez été également prévenu des dispositions que j'avais rencontrées à Rome, et vous avez pu en conclure que le Cabinet Italien s'associait activement à nos préoccupations. J'aime à espérer que vous pourrez me fixer à bref délai sur les intentions du Gouvernement Anglais, et je vous prie de ne rien négliger pour en provoquer la manifestation.

Agréez, &c.
(Signé) DECAZES.

No. 31.

Sir H. Elliot to the Earl of Derby.—(Received October 18.)

(No. 624. Confidential.)

My Lord, *Therapia, October* 2, 1875.

WITH reference to my despatch No. 617, I have the honour to inform your Lordship that the Grand Vizier has sent to inform me that the Sultan has sanctioned his proposal for the reduction by one-half of the interest on the Turkish National Debt.

This resolution has not yet transpired, and, till announced by the Government, the Grand Vizier begged that the information might be regarded as secret.

Sufficient revenues for the punctual and permanent payment of the reduced rate of interest are to be placed in the hands of a European syndicate, and the Grand Vizier hopes that it will be believed that nothing but the conviction of the inability of the Porte to continue to meet its obligations in full could have overcome his reluctance to resort to this measure.

I have, &c.
(Signed) HENRY ELLIOT.

No. 32.

Mr. Parnell to the Earl of Derby.—(Received October 18.)

My Lord, *Ripple Court, Ringwould, Dover, October* 13, 1875.

WILL you excuse, kindly, the liberty a private gentleman takes in writing to you and laying before you a few crude ideas on the subject of Turkish finance

It would almost appear that the time had arrived when the great European Powers might reasonably and fairly come forward, and say to the Porte " you have involved yourself in a great difficulty. We will assist you and extricate you on one condition, viz., that you allow us to appoint a permanent, joint, financial Commission, of one member from each of the great Powers, into whose hands the whole Turkish revenue shall be paid for the future, and who alone shall have power to make loans and adjust the sums needful for each department of the State.

Presuming the Porte to assent to this proposal, the first consideration for the finance Commission would be the Public Debt.

The Public Debt of Turkey may be divided into two groups; the secured about 43,000,000*l.*, and the unsecured about 150,000,000*l.* nominal.

Those who have lent their money on *bond fide* security must be kept faith with immediately.

Those who have lent their money on unsecured, or partially secured, securities have had a strong motive for doing so, and must be dealt with differently.

The interest on the unsecured debt must be stopped immediately, and, in lieu thereof, the Finance Commission should be authorized to raise 100,000,000*l.* at 6 per cent., the interest to be guaranteed by the great Powers, and the money applied to paying off the unsecured bondholders, at the price of issue.

This would be fair and just to the bondholders.

It would save a catastrophe at Constantinople, and give immediate relief to Turkey; and the risk to the great Powers very small indeed.

It is a grand opportunity for Europe to step in and civilize Central Asia, than whom none would benefit more. Do, my Lord, apply your strong and sound mind to this idea.

Should the Porte refuse to entertain this proposal, I am of opinion that constraint should be exercised, and the fleets ordered up the Dardanelles. It is not to be endured that she shall dictate to the great Powers of Europe.

None will profit so much as herself by acceding to such a proposal.

I remain, &c.

(Signed) HENRY W. PARNELL.

No. 33.

Musurus Pasha to the Earl of Derby.—(*Received October* 18.)

My Lord, *Ambassade Impériale Ottomane, Londres, le 16 Octobre*, 1875.

JE viens de recevoir de son Excellence Safvet Pacha une dépêche relative à la mesure que le Gouvernement Impérial vient de prendre à l'égard de la dette publique de l'Empire et par laquelle je suis invité à en donner lecture à votre Excellence et à lui en laisser copie, si elle en exprime le désir.

Comme, à cause de l'absence de votre Excellence de Londres, je ne puis pas m'acquitter en personne des instructions de mon Gouvernement, j'ai l'honneur de donner à votre Excellence communication de la dépêche précitée, en lui en transmettant ci-jointe la copie,

Votre, &c.

(Signé) MUSURUS.

Inclosure in No. 33.

Safvet Pasha to Musurus Pasha.

Sublime Porte, Ministère des Affaires Etrangères, le 7 Octobre, 1875.

M. l'Ambassadeur,

MA dépêche télégraphique du 6 Octobre vous a fait connaître la promulgation des réformes radicales et indispensables que la Sublime Porte est décidée à mettre dès à présent à exécution dans l'Empire.

L'expérience a en effet constaté l'inefficacité de l'application de l'impôt du quart de la îme perçu en sus de celui de la dîme proprement dite, et de la perception en bloc des arriérés qu'on a voulu essayer dès l'année dernière.

L'exiguité relative des ressources agricoles actuelles destinées à prendre un développement progressif dans un prochain avenir n'a pas permis de maintenir cette redevance du quart de la dîme qui, au lieu de profiter au Trésor dans la mesure à laquelle on croyait devoir s'attendre, n'a, au contraire, amené qu'un malaise plus accentué que par le passé et tendant à tarir de plus en plus les ressources de l'agriculture au détriment des intérêts des populations. Il en a été de même pour les arriérés dont le prélèvement exigé par la loi n'a non-seulement pu satisfaire aux exigences du Trésor, mais encore a été de nature à provoquer certaines mesures vexatoires qui ont forcément échappé à la répression légale, et une plus grande gêne aux contribuables déjà placés dans une situation difficile par rapport au payement des autres impôts.

Sa Majesté Impériale, notre auguste Maître, justement ému de cet état de choses, a voulu, dans ses sentiments de magnanimité et de haute sollicitude pour ses sujets, alléger les charges les plus lourdes imposées au pays; et, en vertu de ses ordres Souverains, la Sublime Porte vient de décider, à l'instar de l'Ile de Crète, l'abolition du quart de dîme dont il s'agit, ainsi que la remise entière de la totalité des arriérés dus jusqu'à l'année 1873, sans restriction aucune, dans toutes les parties de l'Empire.

Cette preuve éclatante et spontanée des sentiments généraux de Sa Majesté Impériale est au-dessus de tout commentaire, et sera, nous en sommes persuadés, dûment et hautement appreciée par le Gouvernement de Sa Majesté Britannique.

Mais tout ceci n'est encore que le précurseur d'autres améliorations importantes et reconnues nécessaires, telles que la transformation du système de la dîme en impôt foncier, l'envoi de *missi dominici* dans les provinces, un mode plus équitable de l'élection des membres des Conseils Provinciaux, &c., toutes choses qui ne tarderont pas à être successivement introduites dans toutes les branches de l'Administration.

Ainsi, les fidèles et loyaux sujets du Sultan, exonérés immédiatement des plus lourdes redevances qui pesaient sur eux, et dégagés dès lors de toutes les entraves qui auraient pu paralyser la production agricole, trouvent désormais une vaste champ pour l'extension de leurs ressources et pour l'essor, par conséquent, de la prospérité générale de l'Empire.

Mais, d'un autre côté, les sommes considérables destinées au service du coupon de nos dettes intérieures et extérieures n'étant point en harmonie avec l'équilibre budgétaire, et l'accumulation des intérêts des divers emprunts contractés jusqu'à ce jour ayant augmenté, au-delà de toute prévision, les chapitres des dépenses, toutes ces circonstances, jointes à la diminution d'une partie des recettes par suite de l'abolition des mesures restrictives précitées, ne laissent pas que d'affecter d'une manière très sensible, au point de vue fiscal, l'économie du budget.

Comme conséquence inévitable de ces nouvelles améliorations, les recettes générales suivront nécessairement une progression ascendante, en proportion du développement futur des ressources de l'Empire. Mais il n'en est pas moins vrai que la gêne, qui existait dès l'origine, et qui s'est accrue de jour en jour, pèsera d'une façon très lourde sur le Trésor, qui se voit placé, d'un côté, en face de la perspective séduisante de l'augmentation de ses revenus par suite des réformes accomplies et à décréter; mais, de l'autre, en celle de la nécessité impérieuse de satisfaire aux engagements du Gouvernement et aux exigences de la situation actuelle.

La loyauté traditionnelle de la Sublime Porte en ce qui concerne particulièrement l'exécution ponctuelle de ses obligations vis-à-vis des créanciers de l'Etat, pèsera plus que jamais sur tous ses actes, sur tous ses déterminations, relatifs à ces engagements sacrés. Le Gouvernement Impérial préférerait, nous n'hésitons pas à le déclarer ici, succomber sous le poids des sacrifices les plus écrasants plutôt que de transiger avec tout ce qui serait de nature à forfaire à sa dignité et à sa haute réputation.

Mus par ces sentiments, et eu égard aussi aux considérations primordiales qui ont dû nous guider dans la question d'établir un équilibre sérieux dans le budget de l'Etat, en présence surtout de l'impossibilité pour ainsi dire absolue de créer de nouvelles ressources pour combler les lacunes sous peine d'agraver gratuitement et sans aucune utilité pratique la situation déjà pénible de tous les contribuables de l'Empire; en présence, enfin, du temps matériel que réclameront nécessairement l'adoption et la mise en vigueur dans l'avenir, ainsi qu'il a été dit plus haut, de toutes les mesures administratives et d'utilité publique, ayant pour but d'augmenter les revenus du Trésor, nous n'avons pu, après mûre délibération, et après avoir pesé toutes les conséquences qui pourraient en résulter, trouver d'autre moyen que celui d'exposer en toute franchise notre situation, comme nous venons de le faire, et de prendre une mesure radicale qui pourrait, il est vrai, froisser pour le moment certains intérêts, et amener même une certaine perturbation dans le cours de nos fonds, mais qui, en face des considérations urgentes du salut public dans l'Empire Ottoman, et du maintien même de l'équilibre Européen, qui, à notre avis, s'y rattache essentiellement, est destinée à assurer une fois pour toutes le crédit de l'Etat et le fonctionnement régulier de l'Administration.

Le budget publié cette année accuse, et c'est de notoriété publique, un déficit de plus de 5,000,000*l.* Dans l'état actuel des choses, ce déficit, on ne saurait le nier, ira en augmentant, car on se voit obligé, à chaque échéance du coupon, de recourir à des emprunts plus ou moins onéreux pour en payer les intérêts et l'amortissement, ce qui ne manquera pas à un moment donné d'ébranler sérieusement la confiance des détenteurs et autres capitalistes qui se voient déjà lésés dans leurs intérêts par les variations brusques des fonds et les spéculations hasardées de la Bourse.

Un tel état anormal ne saurait évidemment disparaître qu'autant que des garanties sérieuses et incontestables seraient assurés aux détenteurs de nos fonds publics, ainsi qu'aux contractants de nos emprunts.

La mesure radicale dont nous venons de faire mention, et qui a été portée à votre connaissance par mon télégramme du 6 de ce mois, consiste, comme vous l'avez vu, en la réduction, dès à présent, à moitié du payement des échéances du dit coupon, dont le service sera garanti par les revenus totaux des Douanes, du sel, et du tabac, ainsi que le tribut d'Egypte. Ce payement, vous le n'ignorez pas, se fera pendant cinq années, moitié en espèces et moitié en obligations portant 5 pour cent d'intérêt. En cas où les garanties précitées seraient insuffisantes, le Gouvernement s'empressera d'y parfaire sur les revenus des moutons.

Toutes ces recettes seront mises dès aujourd'hui à la disposition des syndicats qui pourraient être institués pour cet objet, sous la condition bien entendu du maintien des droits et des priviléges de la Banque Impériale Ottomane.

Par ce moyen le crédit sera assuré, le budget équilibré par de solides garanties, et la méfiance et le malaise général disparaîtront sans retour.

Nous avons le ferme espoir que les considérations qui précèdent et les mesures impérieusement dictées par notre situation actuelle trouveront un appui moral efficace auprès du Gouvernement de Sa Majesté Britannique.

Les sentiments d'amitié sincère à notre égard et le vif intérêt qu'il n'a cessé de porter à tout ce qui touche la prospérité et le progrès de l'Empire Ottoman nous sont un sûr garant que notre appel franc et loyal sera entendu par lui avec la bienveillance et la haute impartialité qui le caractérisent.

Je laisse à votre tact et à votre savoir-faire le soin de tenir le langage voulu dans le sens de cette dépêche en vue de redresser les appréciations erronées qui pourraient se produire autour de vous.

Vous voudrez bien également donner lecture de cette pièce à son Excellence le Principal Secrétaire d'Etat de Sa Majesté Britannique, et lui en laisser copie, s'il le désire.

Veuillez, &c.
(Signé) SAFVET.

No. 34.

Musurus Pasha to the Earl of Derby.—(Received October 18.)

Ambassade Impériale Ottomane, Londres, le 16 Octobre, 1875.

My Lord,

J'AI l'honneur de communiquer à votre Excellence la copie ci-jointe d'une dépêche télégraphique de son Excellence Safvet Pacha, m'informant que la dernière mesure financière ne sera pas appliquée à l'emprunt de 1855, garanti par l'Angleterre et la France.

Votre, &c.
(Signé) MUSURUS.

Inclosure in No. 34.

Safvet Pasha to Musurus Pasha.

Constantinople, le 14 Octobre, 1875.

(Télégraphique.)

LA dernière mesure financière ne sera pas appliquée à l'emprunt de 1855, garanti par l'Angleterre et la France ; et le service des intérêts de cet emprunt continuera à se faire comme par le passé. Nous en avons déjà informé les Ambassadeurs de l'Angleterre et de France.

No. 35.

Lord Lyons to the Earl of Derby.—(Received October 20.)

Paris, October 19, 1875.

(No. 855.)

My Lord,

THE Duc Decazes expressed to me yesterday a strong desire to be made acquainted, as soon as possible, with the views of Her Majesty's Government as to the steps to be taken with regard to the reduction of the interest on the Ottoman Loans.

He told me that, on the part of Austria, Count Andrassy had expressed his willingness to adopt any practical measure which the French Government might be able to suggest; and that, on behalf of the Italian Government, M. Visconti Venosta had expressed the opinion that it could not remain a passive spectator of the ruin of the Italian holders of Turkish stock.

The Duke went on to say that he had also addressed an appeal to Russia, in which he had said that, as the material interests of Russian subjects did not appear to be immediately involved, he could not expect the Russian Government to take exactly the same view of the matter as he did, but that, nevertheless, he hoped that its sense of justice, and its interest in the honour and prosperity of the Sultan, would induce it to make endeavours to alleviate the disaster.

No. 34*.

The Earl of Derby to the Marquis d'Harcourt.

Knowsley, October 19, 1875.

Dear M. d'Harcourt,

I AM afraid I can say nothing definite at present on the question of Turkish debt. I do not see that it is urgent in point of time, for as we know, there is just now no money forthcoming, and if we only want to reserve and secure our rights that can be done a month or two months hence as well as now. I would strongly advise your Government to take no hasty step. Surely a simple assurance given to the French sufferers that their interests will not be lost sight of, will be enough to keep them quiet for the moment. We shall, I hope, have an opportunity of talking the matter over fully next week, and as soon as I return to London, I will see a deputation of the English bondholders, who are certain to ask me for an interview, and try and find out what their feelings and expectations are.

I must beg you to excuse brevity, for I have a large number of friends in the house, and am, besides, rather pressed with official business.

Believe, &c.
(Signed) DERBY.

A despatch, which had already been prepared, would also, the Duke said, be immediately sent off to Berlin.

To the Porte itself, the Duke had not, he told me, made as yet any formal communication. He had, indeed, expressed his sense of the conduct of the Turkish Government in angry terms in telegrams addressed to M. de Bourgoing, the French Ambassador at Constantinople; and he had, by the mail of the 16th, sent a despatch to the Ambassador of the same character. For the present, however, M. de Bourgoing was to use these communications to guide him in the language he was to hold to the Ottoman Ministers, but was not to read them to those Ministers, nor to place copies of them in their hands.

The Duc Decazes proceeded to say that he had reason to believe that the present moment was a peculiarly favourable one for obtaining securities from the Porte for the stockholders. M. de Bourgoing had (he told me) informed him by telegraph that the Grand Vizier was surprised and alarmed at the impression which the repudiation of the half interest had caused in Europe, and appeared to be ready to do almost anything to alleviate it, and to be willing to enter into engagements with foreign Governments on the subject.

A telegram from Constantinople, addressed to the Imperial Ottoman Bank at Paris on the 16th instant, had also (the Duke said) been communicated to him, and he proceeded to read it to me in the following words:—

"Le Grand Vizir est aujourd'hui disposé à donner pour la loyale exécution des "nouvelles mesures toutes les garanties qui lui seront demandées par les représentants "des porteurs des titres. Il admettrait que des Délégués fussent en permanence près des "caisses de l'Etat pour assurer le versement journalier à la Banque des revenus affectés, "et engagerait au besoin le Gouvernement par un Traité avec les Ambassadeurs "étrangers."

The Duke observed that he had been at first a little startled by the word "*Traité*;" but had immediately recollected that the word was, of course, used in its commercial sense of an ordinary agreement or engagement, not in the diplomatic sense of a solemn international instrument.

In conclusion the Duke begged me to express earnestly to your Lordship his opinion that no time should be lost in taking advantage of the present dispositions of the Porte; and to add that there was at this moment an opportunity which might not occur again of obtaining some relief for the bondholders, as well as a diplomatic success, and that he earnestly hoped that Her Majesty's Government would join him in an immediate endeavour to turn this opportunity to good account.

I have, &c.
(Signed) LYONS.

No. 36.

Extract from the "Standard," Wednesday, October 20, 1875.

MEETING OF TURKISH BONDHOLDERS.—A crowded meeting of Turkish Bondholders, convened by requisition to the Council of Foreign Bondholders, was held yesterday in the Great Hall of the Cannon-street Hotel. Amongst those present were some ladies, who seemed deeply interested in the proceedings. On the motion of Sir John Lubbock, who acted in the absence of the chairman of the Council, seconded by Mr. Sebag, Mr. Childers, M.P., was voted into the chair. On rising, the right hon. gentleman, who was warmly cheered, said—"In compliance with the request which has been addressed to me, I have much pleasure in taking the chair on this occasion. I will do my best to carry out the functions of chairman of a meeting of the present importance. The case has been presented to me, and on the case so presented I have consented to take the chair to-day. It appears that not many days ago the Ottoman Government issued, and suddenly, a Decree, under which a moiety of the interest on all the bonds issued by their Government is, to put it in the very mildest way, postponed. I will not use a stronger expression, but it appears that Decree affects a large number of bondholders under very different categories, some bonds having been issued under one condition, others under different conditions; but it would seem highly expedient that if steps are to be taken to obtain a reversal or modification of that Decree, each of the different interests should be clearly represented, and be able to approach those who alone can effect a modification of the Decree. (Hear). But in addition to that separate action of each interest, it appears also to those who have called this meeting that it would be desirable that there should be common action. (Hear, hear).

Separate action without common action may only lead to confusion. (Hear, hear). We are to approach a Government at some distance—a Government not constituted exactly like those Governments with which we are most familiar—and if any mistake is made in the manner in which that Government is approached, it will be greatly to the loss and detriment of all those on whose behalf it is approached. Therefore, calling this meeting together, as I am informed, is not in any degree in antagonism to the meetings which have been or may be called by those who are separately interested in any particular loan, but, on the contrary, is entirely in harmony with that separate action, it being, as I said before, the belief of those who are best informed that united action should be combined with separated action. (Hear). May I, as an impartial person, add one word to what I have now said? Would you allow me to suggest to you that in dealing with a Government like the Ottoman Government—a Government which has sat high in the world, and which is an ancient ally of this country—we should be very careful indeed to do so in a gracious and in a moderate way. (Hear, hear). If that is your view, I would take the liberty—and it is a liberty—respectfully to suggest to you that the language certainly of the resolutions, and, if possible, of those who speak on this occasion, should be of a moderate character, and not liable to cause your action to be deprecated, or not to be received with success or favour, by the Government to which it should be addressed. I am confident that the absence of all irritating language, whether in the speeches made to-day or in resolutions which may be proposed, will very greatly conduce to the success of the present movement. It will not do for me, situated as I am, to address you at greater length; but I hope gentlemen will now come forward, and that what will be proposed to you will be in harmony with the words which I have taken the liberty of addressing to you. (Cheers). Mr. Galloway, who is a large bondholder, will move the first resolution. (Hear)."

Mr. Galloway, who addressed the meeting as "Brother Bondholders," said—"If it should be any consolation to you to know that I am a *bond-fide* holder of 150,000*l.* of Turkish Stock, you have my assurance of that fact. I will say more. I have lived among the Turks for nearly thirty years of my life, and I have seen a variety of Decrees put forward, and I have seen them annulled, so that I feel confident, under proper representation to the Sultan, that the Decree which has so inadvertently been put forward to the world will also be annulled. (Hear). I have no hesitation in saying, from my knowledge of Turkey, that they can pay, and that they will pay. (Cheers). I may say that of that view I am as confident as that this is my hand. That we may have to afford them some accommodation is possible, but we shall be better judges of the extent of that accommodation when we see the real position of their affairs. I am sure when that exposé, if I may use the word, takes place, you will all be ready to afford that which is absolutely necessary to get rid of the devouring element which has been exercised at Constantinople by those who have lent their money at a most exorbitant and ruinous rate of interest. Frequently, and I believe it will be so on this occasion, good will come out of evil, for if the system which has been practised unchecked for the last three or four years had continued, we should have been all left without a penny; and therefore I say that though I believe the Decree was inadvertent and objectionable, still, in the end, I think it will be useful. Before moving this resolution there is but one thing I wish to impress upon you. Let us all give a hearty pull, a strong pull, and a pull all together, and do not let us say, 'I have an advantage which you have not.' We are all in one boat, and let us stick to the boat like men, and do not let us be led away by the selfish or unfair motive of any particular class of bondholder. (Hear, hear). I do not wish to intrude on valuable time, and therefore I will read the resolution which I now beg to move. (Cheers). 'That in view of the course taken by the Imperial Ottoman Government, with reference to the interest and sinking fund on the loans raised by that Government, it is desirable that the Council of Foreign Bondholders should take such steps as may be deemed advisable for the protection of the bondholders, in co-operation with any persons appointed for that purpose, as the representatives of the several classes of bondholders, and that the Council be requested to take action accordingly.'"

Mr. Corfield seconded the resolution.

In reply to Mr. Coxon, the Chairman said that as he read the resolution each class of bondholders would elect their own representatives; whereupon—

Mr. Coxon suggested that the number of those representatives should be the same as the number of the Council of Foreign Bondholders.

Mr. Smyrlie was understood to advise that no action should be taken without consultation with Messrs. Dent, Palmer, and Co.

Two or three other bondholders having put questions as to the mode of electing these representatives of the several categories of bondholders.

The Chairman again reiterated the opinion that the resolution left it to each class of

bondholders to decide on the choice of their representatives, their number, and the mode of election.

Mr. Surgey, of the Council of Foreign Bondholders, regretted that Sir John Lubbock had been obliged to leave, but in their deputy chairman's absence he would endeavour to afford an explanation of the views of the council. This first step of the council had been taken in consequence of a distinct application from a very large number of bondholders, one of whom, Mr. Galloway—who held 150,000*l.* of Turkish Stock—had just spoken. That gentleman would be as proper a representative to begin with as they could have. (Hear.) With regard to the proceedings to be taken, the first thing the council had to do was to consult the bondholders as a body as to the best course to pursue; but that suggested was to elect a body of men who should represent all, and that body, if the meeting thought proper, would be the Council of Foreign Bondholders. If the bondholders entrusted their confidence to the Council they would most certainly not abuse it. They would find, if the Council took this matter up, it would be as a matter of business, and with the aid of the bondholders they would succeed. The first step to be taken then would be, after the meeting, to call meetings of each class of bondholders and invite those meetings to choose representatives to represent their own particular interests. With regard to the other meetings to be held, such as that of Dent, Palmer, and Co., the Council were only too glad to find that such a first-rate firm was taking up the position which it ought to take up. (Cheers.) It was only to be hoped that they would, with the assistance of the bondholders, select the best men for committees, one committee distinctly representing the interests of each class of bondholders, while the Council would endeavour to represent all. What steps then to take would depend upon a consultation with these different committees. They had met together to commence action in consequence of a great country having been unable to meet its financial difficulties. They must bear in mind that Turkey was not like other countries in its mode of doing things. Most other countries would have expressed their regret that they were unable to fulfil their liabilities; but Turkey had simply issued a Decree telling the bondholders that, though they were entitled to 6 per cent. they could only get 3 per cent., and that for the balance they would get bonds bearing 5 per cent. interest, payable at the end of five years at par. The bondholders could not help thinking they ought to have been consulted first. They must bear in mind, however, that the Decree emanated from a despotic Government, and in all probability the Sultan himself did not know half so much about the matter as they did. It was not, however, a very unusual thing for the Goverement of the Sultan to be changed, and he trusted such a change might be seen again before long. No doubt the Sultan had been very badly advised, and why should he not dispense with the services of the gentlemen who had given him that bad advice? (Hear, hear.) He trusted the Sultan would simply revoke the Decree, and the best thing the bondholders could do would be to act together, with the view of the revocation of that Decree. If that were done it would be open to them to enter into negotiation with the Government of Turkey and see what was the right and proper thing to do under the circumstances. They must not be led away by the opinion that because Turkey could not do all she could do nothing. Turkey was not a country without resources, and if judiciously, wisely, and economically governed, was it to be supposed that she would have any difficulty in fulfilling all her obligations? From all he could learn there would be no difficulty at all about it. The Budget for 1875-76 showed an income of 21,700,000*l.*, while what was required for the service of all the loans was about thirty millions of money, with the addition of 300,000*l.* or 400,000*l.* guaranteed to the Ottoman and Varna Railway Company. The total estimated expenditure, even at this expensive period of insurrections and all manner of uncomfortable occurrences, was only 26,000,300*l.*; the deficiency, therefore, was very little more than 4,500,000*l.* Surely that was not a very bad state of things? It was not unusual for a great country to be five millions or so behind and to have to borrow it. Unfortunately Turkey had damaged her own credit, otherwise there would be no difficulty about this five millions of money. Their object should be to get a revocation of that Decree if only in the interests of Turkey herself. He did not mean to say that in endeavouring to benefit Turkey they were not seeking their own interests also; but by coming to a business-like arrangement it would be for the interest both of Turkey and themselves. The deficiency being about 4,500,000*l.*, the total amount of Turkish debt appeared to be, in the shape of foreign loans, about 214,500,000*l.*. That was a large debt, but it was not a heavy burden for Turkey if she were only economically and wisely governed. If they took advantage of this opportunity, and the Great Powers of Europe, as they were bound to do, gave them and the Turkish Government their moral support, that day would be the best that had ever been spent in their interests. Turkey should be offered wise advice, and, if necessary, the assistance of wise men should be offered her to advise her. Mr. Gladstone's name had been mentioned—

(hear, hear)—and if he could not or would not undertake such duties, some other able and practised financier should undertake it. When such vast interests as 214½ millions of money were involved it was the duty of the Government to interfere for the benefit of their subjects who were creditors. (Cheers). If a single British subject were murdered or maltreated in China we should take very good care that redress was obtained. Was it a small thing that the interests of hundreds of thousands of people should be imperilled, and that some should be reduced to absolute ruin? He contended that this being an unusual case should be met by unusual remedies, and he believed that if they were all united, and adopted the course which had been foreshadowed, they would succeed in their object. (Cheers).

The Chairman said that Mr. J. A. Franklin, who was well known in connection with the subject, had addressed a memorandum to him, with the request that it might be read to the meeting.

The memorandum was then read by the Secretary of the Council of Foreign Bondholders, as follows:—"The position of the bondholders of the Anglo-Turkish Loan of 1862 is altogether an exceptional one, *vide, inter alia*, Correspondence between J. A. Franklin and others with the Foreign Office, laid, with other papers, before Parliament, 1874, C1077; 1875, C1127, C1163, C1210, C1288, and letter to Earl of Derby, dated 7th September, 1875, as yet unpublished. The establishment (in effect) of these bondholders' rights of recourse to the Government of Great Britain, as claims, at first admitted, although afterwards disregarded, apparently in consequence of that abandonment of the traditional policy of this country in Ottoman affairs which "Les Débats" has recently animadverted upon. The speeches (reported in "Hansard") by Lord Palmerston, of Under-Secretary Layard, and Mr. Hubbard, and the virtual indorsement of the prospectus of the Loan by Earl Russell, all illustrating the fact that the original subscribers to the Loan were induced to subscribe by reliance upon representations made by the British Government *ex officio*. Notice is to be taken, that on behalf of the 1862 bondholders a formal protest has once for all been served upon all concerned, invalidating interposition by any committee or council in the affairs of the actual bondholders, whether or not such interposition be ascribable to agents open to be employed by a defaulting Government for pressing a compromise upon its creditors. That the 1862 bondholders cannot stultify themselves by common action with unsecured creditors of the Ottoman Government, at risk of the hypothecated revenues due to the 1862 bonds being cast into hotchpot. That the specific revenues devised for security of the 1862 bonds are productive of four or five-fold the amount hypothecated as a first charge in redemption of those bonds; but that the independent receivership of such revenues, whereby alone could that primary condition of the contract be fulfilled, has continuously been evaded, so that no renewed or substituted syndicate subject to influence of the Porte can be entertained. That of the 320,000*l.* required for service of the 1862 Loan during the half-year to expire on the 31st December next, at least three-fifths, or 192,000*l.*, should at the end of September last have been standing in a distinctive account at the Imperial Ottoman Bank as bailee for the bondholders. Indeed, that bank advertised early in September that it then so held two-fifths, or 128,000*l.*, credited at end of the preceding August. That the balance of the loan redeemable within eleven years from 1st July last is 5,082,900*l.*, the amount of interest coupons upon which at 6 per cent. per annum, payable 1st January next, is only 132,487*l.* Hence the moiety of the amount due on said 1st January must be already in hand."

Mr. Hamond, M.P., said, as one who had held Turkish Stock of 1862 from its issue by Devaux and Co., who had never speculated to the extent of a penny in a Turkish loan, and who was no jobber at the Stock Exchange, he had come on the requisition of the Council of Foreign Bondholders, and he took considerable exception to the milk-and-water resolution proposed by Mr. Galloway. It led to nothing; but the Council of Foreign Bondholders were to be entrusted to do what they pleased and to act accordingly. (Loud expressions of disapprobation.) They had met there because a debtor of theirs had repudiated solemn engagements he had entered into from time to time, pledging special securities for money which had been advanced to him. (Hear, hear.) The bondholders ought to have a distinct admission of their right to those securities before they gave power to any body of gentlemen to negotiate for them with the Porte. While he desired to maintain to the utmost his hold upon the securities upon which he had lent his money, he was willing as a creditor of the Turkish Empire to abate somewhat of his rights to assist them and place their financial exchequer on a sounder and better footing. It was the duty of the bondholders also to call upon the Government and upon the Governments of France and Italy to protect them from the spoliation with which they were threatened, since it was only twenty years that those three countries had sacrificed 200,000,000*l.* of treasure, and lavished their blood to preserve the integrity of the Turkish Empire. At that time they had been told that the most important thing on earth was to preserve the independence of Turkey, and it was that which induced many of them to invest their money in Turkish securities. The Governments of England and France had first allowed her to negotiate a foreign loan with their guarantee. If, therefore, anybody should cordially co-operate with the Turkish bondholders, it was the Governments of England, France, and Italy. (Hear, hear.) He hoped, therefore, no time would be lost in approaching these Governments. It might be that the Sultan was not cognizant of the action of his Grand Vizier. It was to be hoped it was so; it would then be the duty of those three Governments to instruct their Ministers at Constantinople to demand a formal interview with His Majesty; not to go sneaking and wasting time. It was one of those things which, if they tolerated from the Turkish Government, would spread through the rest of Europe. If they allowed Turkey to repudiate her debts and falsify her most solemn engagements, other countries more powerful than her, and whom we dare not fight, would follow her example. If they formed an influential deputation of British and foreign holders of Turkish bonds, and went to the Sultan, with their Ambassadors if necessary, they might force the Porte, in spite of itself, to be honest, so far as respected the guarantees which had been given them. When once these guarantees were made over, they might meet the Turkish Government in a loyal and frank spirit. He congratulated those who held stock for which the Egyptian tribute was pledged, for he knew something of the Khedive, who would, when the time came, prove faithful to his own personal guarantee, and remit the money of that tribute to the extent to which it was pledged to the bondholders who had a first claim upon it, and woe to his Zuzerain if he stopped him from performing an honourable contract, for the first thing the Khedive would do would be to declare his independence. The proposal he would make to his fellow bondholders was this, that having secured to them beyond the shadow of a doubt their different securities for their different loans, he would recommend them not to agree to the illusory plan proposed by Constantinople, but to have their 6 per cent. paid to them as before, and reduce from 100*l.* to 10 per cent. above the price at which the various loans had been issued to those who had securities, while those who were unsecured should give 20 per cent. of their issue By that plan he should be getting 10 per cent. (on a loan issued at 68 per cent.) on 75*l.* By that plan Turkey would be relieved at once of 50,000,000*l.* sterling of her debt, and her annual resources would be improved between 4,000,000*l.* and 5,000,000*l.* sterling. He begged to submit, either as a rider or as an amendment to the resolution, the following:—"But no agreement shall be made with the Turkish Government which does not proceed on the basis that each class of bondholders shall retain the special guarantees already secured to them."

Mr. Bennoch, on the part of the Council of Foreign Bondholders, complained that the honourable gentleman who had just spoken had misapprehended the whole policy of that meeting, which was to call a general meeting of all classes of bondholders, that the Council might have their united expression of opinion that immediate action should be taken for the defence, not only of their united, but of their individual rights. All that could be done at a large public meeting was to obtain a general resolution covering all classes of bondholders. As soon as that was carried they could appoint Committees of each class of bondholders to meet in the large room of the Council of Foreign Bondholders, and no doubt the first step then taken would be to appoint a strong united deputation to wait upon our own Minister (hear, hear), representing in the strongest possible way, but, he hoped, in the mildest and most respectful language, their determination to have their rights, and their expectation that the Government would protect them. He rejoiced that the distinguished house of Dent, Palmer, and Co. were to hold a meeting on Thursday. They represented the bondholders of 1857, of 1858, and of 1871, and he had no doubt there would then be one of those sectional Committees formed at once to act in the manner suggested. Mr. Hamond appeared to be ignorant of the protecting ægis which was over his head, by the action of the Council of Foreign Bondholders, who, four years ago, in the exercise of their duty of seeing impartial justice done to all classes of bondholders, had made representations to the Turkish Government in regard to the various securities hypothecated for the loans of 1858 and 1862 not having been transmitted as promised. Protests had been made, and they had been informed that no further Turkish loan would be permitted to come upon the Stock Exchange, and the effect had been that they had received up to the present month, not the identical hypothecations, but an amount equivalent, which had been received without asking where it had come from.

Mr. George Smith suggested an instruction to the Council that they immediately memorialize our own Government.

Mr. J. C. McCoan, who spoke with the experience of eighteen years' residence in Turkey, expressed the opinion that since the Crimean war Turkey had gone from bad to

worse, and that whether the recent Decree had been issued or not it was merely a question of months before the final collapse. He went further, and said that the Government would be no more able to pay the half-interest they had promised than they were to pay the whole.

The remarks of this gentleman were so distasteful to the meeting, that on its being announced from the chair that he was not himself a bondholder, but only present as a proxy-holder, the meeting declined to give him a further hearing.

In reply to Mr. Hazeldine, the Chairman said the Ottoman Bank had had nothing to do with calling the meeting.

The Chairman then put to the meeting whether Mr. Hamond's addition should be annexed to the resolution as a rider.

This was carried by a large majority.

Mr. Smith's addition—"That the Council be requested, as a first measure, to memorialize the Government," was adopted unanimously.

The whole resolution, as thus extended, was then put and carried unanimously, with cheers.

A vote of thanks to the Chairman ended the proceedings.

No. 37.

The Earl of Derby to Musurus Pasha.

M. l'Ambassadeur, *Foreign Office, October* 20, 1875.

I HAVE the honour to acknowledge the receipt of your Excellency's note of the 11th instant, inclosing a copy of the official declaration published by the Sublime Porte on the 10th instant, relating to the reduction of interest on the Turkish Debt.

I am, &c.
(Signed) DERBY.

No. 38.

The Earl of Derby to Sir H. Elliot.

(No. 332.)
Sir, *Foreign Office, October* 20, 1875.

WITH reference to your despatch No. 638 of the 6th instant, I approve the remonstrance which you made, in conjunction with your French colleague, to the Porte, respecting the denial of the report of the reduction of interest on the Ottoman Debt, which appeared through the Reuter agency.

I am, &c.
(Signed) DERBY.

No. 39.

Mr. Hyde Clarke to the Earl of Derby.—(Received October 21.)

Council of Foreign Bondholders, 10, *Moorgate Street, London, October* 20, 1875.

My Lord,

I HAVE the honour to inform your Lordship that at a meeting of the holders of all issues of Turkish bonds, held at the City Terminus Hotel, Cannon Street, on Tuesday the 19th instant, the Right Honourable Hugh C. E. Childers, M.P., in the chair, the following Resolution was unanimously passed:—

Moved by Mr. R. H. Galloway, seconded by Mr. A. K. Corfield, and resolved—

"That in the view of the course taken by the Imperial Ottoman Government with reference to the interest and sinking fund on the Loans raised by that Government, it is desirable that the Council of Foreign bondholders should take such steps as may be deemed advisable for the protection of the bondholders, in co-operation with any persons appointed for that purpose as the representatives of the several classes of bondholders, and that the Council be requested to take action accordingly. But that no agreement should be made with the Ottoman Government, except upon the basis of each class of bondholders retaining the full advantage secured to them under their special guarantees.

That the Council be requested as one of their first measures to memorialize Her Majesty's Goverment, and to seek their assistance.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 40.

Lord Tenterden to Mr. Parnell.

Sir, *Foreign Office, October* 21, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 13th instant, upon the subject of the Turkish Foreign Debt.

I am, &c.
(Signed) TENTERDEN.

No. 41.

The Earl of Derby to M. de Martino.

M. le Chargé d'Affaires, *Foreign Office, October* 22, 1875.

ON the 9th of this month you had the goodness to communicate to me a telegram which you had received from the Chevalier Visconti Venosta, dated the previous day, on the subject of the determination come to by the Turkish Government to pay for the next five years its interest on its foreign debt, one-half in specie and one-half in bonds bearing interest at the rate of 5 per cent.

The telegram from M. Visconti Venosta, at the same time, expressed the wish of the Italian Government to be informed of the views and intentions of Her Majesty's Government in regard to this matter.

The announcement of the Turkish Government being of such recent date, and the subject of it involving considerations of such serious import to those persons whose interests are most directly concerned in this measure, I am only able at the present moment, M. le Chargé d'Affaires, to inform you that this matter will receive the serious consideration of Her Majesty's Government, and that no measures or representations of a collective nature will be taken by them without previous communication with the Italian Government.

I am, &c.
(Signed) DERBY.

No. 42.

*Mr. Lister to Mr. Hyde Clarke.**

Sir, *Foreign Office, October* 22, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letters of the , upon the subject of the reduction to be made by the Porte of the interest payable upon the various Ottoman Loans, and I am to state to you in reply that this question is under the consideration of Her Majesty's Government.

I am, &c.
(Signed) T. V. LISTER.

No. 43.

The Earl of Derby to Musurus Pasha.

M. l'Ambassadeur, *Foreign Office, October* 22, 1875.

I HAVE the honour to acknowledge the receipt of your letter of the 16th instant, respecting the project of the Porte for the future payment of the interest upon the various

* Similar letters were addressed to Mr. D. Brown and Mr. H. Webb.

Ottoman Loans, and I have to inform your Excellency that this question is at present under the consideration of Her Majesty's Government.

I am, &c.
(Signed) DERBY.

No. 44.

Lord Lyons to the Earl of Derby.—(Received October 22.)

(No. 858.)
My Lord, *Paris, October 21, 1875.*

WITH reference to my despatch No. 855 of the day before yesterday, I have the honour to inform your Lordship that the Duc Decazes was yesterday so good as to give me an account of an interview which he had had with gentlemen representing the Imperial Ottoman Bank.

These gentlemen had, he told me, pressed him in general terms to intervene with the Ottoman Government in favour of the stockholders, and on his begging them to state more particularly the steps which they wished him to take, had suggested that the telegram of the 16th October, which the Bank had received from Constantinople, should be made the basis of an arrangement between the Porte and the French and other European Governments.

This telegram was recited in the despatch from me to your Lordship, to which I have referred above. Your Lordship may recollect that it represented that the Porte was willing to give such securities as the bondholders might demand for the faithful execution of the new arrangements respecting the interest; to allow delegates to be appointed for ensuring the daily payment to the Bank of the branches of revenue assigned for the payment of the loans; and even to bind the Turkish Government by an engagement with the foreign Ambassadors.

The Duke had (he told me) replied to the representatives of the Bank that it was, in his opinion, for them, rather than for the French Government, to conduct the negotiations with the Porte. It was (he had said to them) to the Bank that the Porte had addressed itself. It had called upon the Bank to send delegates to the Syndicates, which were to superintend the appropriation of the branches of revenue assigned to the loans; and, in fact, the Bank having some time ago assumed the character and functions of a State Bank, would, he presumed, have to undertake the execution of any arrangements that might be agreed upon with the Porte. If the French Government were to conduct the negotiation, it would expose itself to two dangers. It would, on the one hand, run the risk of compromising its dignity and influence with the Porte by making proposals of which it might be unable to obtain the adoption; while, on the other hand, there would be no security that such arrangements as it might succeed in making would be acceptable to the Bank and the bondholders. If his concurrence were asked in carrying into effect any arrangements in favour of the bondholders which might have been agreed upon, he would most willingly give it, provided, however, that he should obtain the co-operation of the other Powers, for he was not prepared to act alone in the matter.

Having given me this account of the substance of his conversation with the representatives of the Ottoman Bank, the Duc Decazes observed that it was to be feared that the Porte would not be able to pay even the half interest, which would be due in January, without the assistance of the Bank, or, at all events, without obtaining an advance from some quarter or other; and he added that it was, therefore, very much to be desired that the credit of the Ottoman Government should have, in some degree, revived before the interest for the January quarter became due.

I have, &c.
(Signed) LYONS.

No. 45.

Lord Lyons to the Earl of Derby.—(Received October 22.)

(No. 859.)
My Lord, *Paris, October 21, 1875.*

The Duc Decazes told me yesterday that the Russian Chargé d'Affaires had just asked him whether the French Government intended to take notice of the recent "Iradé" of the Sultan, and the communication which the Porte had made to foreign Powers on the subject of reforms.

The Duc Decazes went on to say to me that it seemed to him that it would be proper to "prendre acte" of the declarations of the Porte, to show in fact that these declarations were held to be binding, but that for his own part he was not prepared to express anything like unqualified satisfaction with them. He should be disposed (he said) to point out on the one hand that it was very unfortunate that the announcement of measures, which were supposed to be calculated to increase the resources of Turkey should be accompanied by a declaration of bankruptcy. On the other hand, he thought that he could hardly avoid saying distinctly that he must look for acts, not words—that he must wait to see the reforms in operation before coming to any conclusion as to their value.

I have, &c.
(Signed) LYONS.

No. 46.

Sir H. Elliot to the Earl of Derby.—(Received October 23, night.)

(Telegraphic.) *Therapia, October 23, 1875.*

THE Grand Vizier has promised to obtain an Iradé guaranteeing the bondholders against any future reduction of interest.

This will be communicated to the Embassies, thus giving it the character of an engagement taken by the Porte towards the different Governments.

He authorizes me to consider this promise as official, but confidential, till the Iradé is obtained.

No. 47.

Sir John Lubbock to the Earl of Derby.—(Received October 23.)

Council of Foreign Bondholders, Moorgate Street,
My Lord, *London, October 23, 1875.*

I HAVE the honour to communicate to your Lordship the following Resolution, which was unanimously passed at a very large meeting of Turkish bondholders of all classes, held on Tuesday, the 19th instant, the Right Honourable Hugh C. E. Childers, M.P., in the chair:—

Moved by Mr. R. H. Galloway;
Seconded by Mr. A. K. Corfield; and

Resolved—That, in view of the course taken by the Imperial Ottoman Government, with reference to the interest and sinking fund on the loans raised by that Government, it is desirable that the Council of Foreign Bondholders should take such steps as may be deemed advisable for the protection of the bondholders, in co-operation with any persons appointed for that purpose as the representatives of the several classes of bondholders, and that the Council be requested to take action accordingly, but that no agreement should be made with the Ottoman Government, except upon the basis of each class of bondholders retaining the full advantage now secured to them under their special guarantees.

That the Council be requested, as one of their first measures, to memorialize Her Majesty's Government, and to seek their assistance.

The Council of Foreign Bondholders, therefore, most earnestly entreat that Her Majesty's Government will promptly use their utmost influence with the Ottoman Government for the protection of the general interests of the Turkish bondholders.

I have, &c.
(Signed) JOHN LUBBOCK, *Acting Chairman.*

No. 48.

Mr. W. H. Clark to the Earl of Derby.—(Received October 23.)

My Lord, *6, Leinster Gardens, Hyde Park, October 22, 1875.*

AS a holder of Turkish Bonds of 1854, I submit to your Lordship the inclosed statement, which, for greater convenience of perusal, I have had printed, in the hope that the

account therein of the circumstances under which the Loan was raised, the encouragement given thereto by the Queen's Government, through one of your Lordship's most eminent predecessors, and the considerations I have ventured to add, will induce the present Government to insist, at Constantinople and Cairo, on the strict fulfilment of its terms and of the directions given in 1854 by the Sultan to the Pasha of Egypt for half-yearly remittances for its continued service of the tribute of Egypt.

Otherwise, an act positively criminal in its character will be perpetrated by the Sultan, to a serious injury of British subjects, who, relying on the confidence expressed by the late Earl of Clarendon, as Foreign Minister, that the Sultan would in good faith fulfil his engagements, lent their money, and made purchases of those bonds at prices far exceeding those of the other Six per cent. Turkish Loans.

I transmit the printed statement in triplicate.

I have, &c.
(Signed) W. H. CLARK.

Inclosure in No. 48.

The Turkish Loan of 1854.

IN August 1854, Turkey was involved in the war with Russia, in which it had for its allies the Governments of France and England.

The Sultan requiring money to carry on the war, and his allies being interested in his obtaining money, then caused to be opened in London a Loan for 3,000,000*l.* in bonds bearing 6 per cent. interest, issued at the price of 80 per cent., and redeemable by an accumulative sinking fund of 1 per cent. To the subscription of this Loan encouragement was given by the allies, the French and English Governments.

On the security of the mortgage of the tribute which the Sultan had reserved out of the revenues of Egypt, in reappointing, in 1841, Mehemet Ali Pacha of that province, and rendering its Pachalic hereditary in his family, and on the encouragement given to the Loan by the allied Governments, the money sought by the Sultan was furnished by English subscribers, and the Loan constituted part of the history of the war.

The negotiation for the Loan was confided by the Sultan to Messrs. Black and Durand, under the supervision and control of His Majesty's diplomatic representatives in Paris and London, and they conjointly made arrangements for its issue with the late Sir Isaac Lyon Goldsmid and Mr. J. Horsley Palmer, of London.

The prospectus of Loan issued by those gentlemen stated that:

"This Loan is not only charged on the general revenue of Turkey, but is specially secured, principal and interest, by the assignment of 30,000,000 piastres (282,000*l.* sterling), tribute paid by the Pasha of Egypt to His Majesty the Sultan, by virtue of the Treaty of 1841, contracted under the sanction of the Great Powers of Europe. This tribute is to be remitted half-yearly direct from the Pasha of Egypt to the Agents in London."

Subjoined to and made part of the prospectus was the following notification:—

"The undersigned have the satisfaction to inform the public that they are authorized by the Earl of Clarendon, Her Majesty's Principal Secretary of State for Foreign Affairs, to state that this Loan is negotiated with the knowledge of the English Govergment; that Her Majesty's Government is satisfied that the Loan and the appropriation of the above-mentioned 30,000,000 piastres (282,000*l.* sterling) are duly authorized by the Sultan; and further, that the representatives of the Sublime Porte at Paris and London are empowered by virtue of the Imperial Firmans to ratify the contract for the Loan in the name of his Majesty the Sultan; and Lord Clarendon relies with confidence upon the Turkish Government fulfilling with good faith the engagements they entered into.

"The undersigned are assured that a similar declaration will be made by M. Drouyn de L'huys, the French Secretary of State for Foreign Affairs, Isaac L. Goldsmid, and J. Horsley Palmer.—London, 16th August."

As usual in loans, a general bond, dated August 24th, 1854, was deposited in the Bank of England. This general bond contained the following irrevocable pledge:

"Be it therefore known that the undersigned, deeming it most for the interest and advantage of His Imperial Majesty's Government to raise the said Loan on the terms and conditions hereafter contained, do, in pursuance of the powers and authorities vested in them for that purpose, hereby bind and oblige the Government of His Imperial Majesty and the revenues of the Ottoman Empire and Government to the payment of the said Loan, principal and interest, as hereafter stipulated, and in particular do specially and irrevocably charge forthwith as the additional guarantee 30,000,000 of piastres, or

282,000*l.*, part of the tribute payable to His Imperial Majesty by His Highness the Pacha of Egypt, and in order that the said 30,000,000 of piastres, or 282,000*l.* sterling, may be more effectually and irrevocably pledged and appropriated to the payment of the interest and redemption of the said Loan, the undersigned engage that the necessary Firmans and authorities shall be issued without delay for the due and punctual remittance to the Bank of England or the Bank of France, so that the same may be at the disposal of the Agents of the Loan for that purpose."

This general bond bore the signatures of:

"J. N. Black,"
"The Ambassador of the Sublime
"Porte at Paris,
"Vely."

"P. Durand,"
"The Minister of the Sublime
"Porte in London,
"C. Musurus."

The engagement of these duly authorised representatives of the Sultan and signatories of the general bond that the necessary Firmans and authorities should be issued without delay for the due and punctual remittance of the tribute so irrevocably pledged for the service of the Loan, was fulfilled by the Sultan, who, in October 1854, addressed the following solemn Decree to the then Pacha of Egypt:—

"(Hatti Sherif). Be it acted upon accordingly.

"(Imperial Cypher). Abdu-'l-Médjid Khan, son of Mahmoud ever Victorious.

"My Vizier, the present Governor-General of Egypt, Mohammed Sa'ed Pacha, &c.

"When my Imperial Decree shall reach thee, be it known that it has been unanimously decided that, deduction made of the sum allotted to the Hedjaz, the remainder of the tribute of Egypt, amounting to sixty thousand purses, which, at the rate of twenty-two and a half piastres to the dollar, make one million, three hundred and thirty-three thousand, three hundred and thirty-three pillar dollars and one-third (to be henceforward calculated at that value) shall be deposited in the Bank of England or of France every six months, as follows, namely: One-half of the aforesaid sum, amounting to thirty thousand purses, shall be deposited in the Bank of England or of France on the 10th of April (new style), and the other half, amounting also to thirty thousand purses, on the 10th day of October (new style), of the year one thousand eight hundred and fifty-five, and so on, until the liquidation is complete, as a special set-off against the interest and capital of the sum borrowed by virtue of a contract dated the 24th day of August, one thousand eight hundred and fifty-four, and under conditions therein stated from the Baron Goldsmid and Mr. John Horsley Palmer, through the respectable merchants, Black and Durand, according to my Imperial Decree. That the suitable partition of this sum of sixty thousand purses between the two Banks shall be discussed and settled on the spot between the two Allied Governments and my Imperial Ambassadors in London and Paris.

"And that until the full payment of the interest, as well as of the capital, of the sum so borrowed, care shall be taken that the payments continue to be made invariably in the above manner.

"My Imperial commands have therefore been issued for the execution thereof in the manner aforesaid; and as this Imperial Firman is to be deposited in the aforesaid Bank of England, this my Imperial Order has been issued from my Imperial Chancery, authorising thee to make payment in due time and season of the sums aforesaid, and has been sent to the proper quarter to be deposited in the aforesaid Bank.

"When this matter becomes known to thee, thou wilt, in conformity with the judgment and intelligence which characterise thee, and in the manner aforesaid, make payment in due time and season into the aforesaid Banks of London and Paris of 60,000 purses out of the aforesaid tribute, pursuant to the above command.

"Thus know thou—Give thou full credence to my Imperial Cypher, done in the first decade of the month Safer, 1271 (third decade, October, 1854).

"Written in Constantinople the well guarded."

(Signed) "J. W. Redhouse.

"*London, 27th December*, 1854."

This document in the certificates issued to the bondholders precedes the copy of the general bond.

By this Hatti Sherif, the Sultan made it an obligation on the Pacha of Egypt invariably to pay half-yearly the requisite sum out of the tribute reserved in 1841, and which was free from all anterior charge, the requisite sum "until the liquidation was complete," in terms of the Contract of 24th of August, 1854, as set out in the general

bond. The mortgage of the tribute was irrevocable. The payment of the tribute was to be invariable.

The Agents for the Loan of 1854, through whom interest had to be paid and redemption of the principal made, were Messrs. Dent, Palmer, and Co.

In the succeeding year, 1855, the Allied Governments of England and France guaranteed a 4 per cent. Loan of 5,000,000*l.* raised by the Sultan in England. It was secured on the balance of the annual amount of the tribute of Egypt, after payment thereout of the half-yearly interest and redemption of the Loan of 1854, and on other purely Turkish revenues; and the International Convention of 1855 between his Allies and the Sultan recognised the prior security on the tribute of the Loan of 1854. In explaining to the House of Commons the sufficiency of the balance to meet the requirements of the guaranteed Loan of 1854 without recourse to the guaranteeing Governments, Viscount Palmerston, then Home Minister of England, informed the House of Commons:—

"The immediate security given is, in the first place, the available surplus of the tribute of Egypt. That surplus, after providing for the interest and sinking fund of the loan contracted last year, amounts to about 65,000*l.*, which will be applicable to the payment of the interest and sinking fund of the present loan. Beyond that the security given is the entire revenue of the Turkish Empire, and arrangements will be made to secure certain parts of that revenue to provide the means, from time to time, of meeting the interest and the demands of the sinking fund."

And the Earl of Clarendon, then Foreign Minister of the Queen, who had encouraged in that capacity, and in the name and on behalf of the English Government, subscriptions to the Loan of 1854, explained to the House of Lords:—

"The revenue hypothecated for the payment of the interest on the Loan is also amply sufficient for this purpose. The Egyptian tribute amounts to 280,000*l.*; that is to be sent direct to this country. Of this tribute, 210,000*l.* are pledged to the payment of the Loan recently contracted, leaving 70,000*l.* available for the new Loan. The net profit of the Customs of Smyrna, &c., amount to 180,000*l.*, and those of Syria, after making all deductions, to 100,000*l.*; this, with the balance of the Egpptian tribute, makes a sum of 350,000*l.*, which is fully sufficient for the purposes of this Convention."

The English Parliament, with this official knowledge that the tribute bore a previous "irrevocable" and "invariable" charge in favour of the Loan of 1854, enacted a law giving the requisite guarantee of England to the Loan of 1855.

The tribute of Egypt, as it existed in 1854, was and continues to be amply sufficient for the service of the Loan of 1854, and assists the service of the Loan of 1855.

For twenty-three years that tribute has, in conformity with the Hatti Sherif of October 1854, been remitted by the Treasury of Egypt to the Bank of England, and out of its proceeds the interest and redemption of the Loan of 1854 have been first met, and then those of the Loan of 1855. Of its sufficiency for these successive purposes, until both interest and principal are wholly discharged, no doubt has arisen. Neither, as yet, so far as it is known, has the Khedive of Egypt been otherwise instructed than by the Hatti Sherif of October 1854. Nor is it to be contemplated that, having been thereby directed invariably to make the requsite remittance until the liquidation of the Loan of 1854 is complete in terms of its contract of 24th August, 1854, the Khedive of Egypt is at liberty to cease remittances for the purpose.

By the law and tribunals of England and of other civilised States, the Khedive can only be released from the obligation imposed on him, and from the right thereby accruing to the bondholders, by the bondholders themselves.

By means of the accumulative sinking fund of 1 per cent., the outstanding amount of the Loan of 1854 has been reduced to less than 2,000,000*l.*

The Sultan, subsequently to 1855, continued to make other loans to a large amount. But between them and this a wide difference of price has always existed. Owing to the superior security of the Loan of 1854, its market price has ranged 10 or 12 per cent. higher than any other Six per Cent. Loan raised by the Sultan.

It will be seen that by the prospectus in which subscriptions were asked for, the contractors stated that the tribute pledged would be remitted direct to the agents for the service of this Loan. That service was not subsequently to be complicated with or delayed by Turkish finances.

The Governments of England and France concurrently, and before the subscriptions were made, gave assurances to the public whose subscriptions were solicited that the Turkish Plenipotentiaries possessed those powers from the Sultan, on which they were acting, and expressed confidence that reliance might be placed on the good faith with which the Sultan's engagements would be fulfilled.

By the general bond for the Loan, the Sultan's representatives, exercising their

powers "specially and irrevocably," charged the tribute for its interest and redemption and engaged that the Sultan should forthwith issue authority for the due and punctual remittance thereof for the Loan.

The duty was imposed by the Sultan's Hatti Sherif on the Pasha to make invariably these payments half-yearly "until" the Loan was liquidated in terms of the general bond.

The securities of the Loan were and are thus in every respect complete and permanent in their essence and character.

It is now, however, proposed by the Sultan to vary and disregard the terms on which the Loan of 1854 was subscribed, while fulfilling to the letter the stipulations of the Loan of 1855, and that because it is guaranteed by the English and French Governments. This exception in favour of the latter may, in a measure, make those Governments in 1875 parties to the breach of that good faith in which, in 1854, they expressed confidence to intending subscribers to the Loan of that year.

The English and French Governments must, if they accept the Sultan's monstrous preference, further accept their second charge on the tribute of Egypt as superior to the first charge thereon, to the injury and damage of the prior encumbrance and the first mortgagees, the bondholders of the Loan of 1854. Their escape from liability on their guarantee of the Loan of 1855 will be simply owing to their political authority and military power over the Sultan, which he seeks to avoid by this exception in their favour, while defrauding those creditors who possess rights in the tribute anterior and superior to those of the two Governments, but are helpless except in the protection of their own Government.

The tribute of 280,000*l.* so charged, being sufficient for both Loans, for Governments holding the inferior security to descend to take advantage of it as against a superior security, will involve a sacrifice of the interests of private persons to the force of England and France as States, and to the political fears and favouritism of the Sultan.

Turkey, having alienated irrevocably to raise a loan, the tribute of Egypt in 1854, cannot now resume receipt of any part of that tribute, except by a resort to arbitrary power and in defiance of moral and legal right.

The Governments of England and France cannot take the benefit of their proposed exemption from Turkish confiscation of the rights of the Loan of 1854 without placing themselves in the position of first mortgagees of the tribute, whereas, in fact, and in law, they are only second mortgagees.

By sanctioning this conduct of the Sultan, the Governments of England and France may, probably will, stimulate and encourage the Khedive of Egypt to a disregard of the duty imposed on him by the Hatti Sherif of October 1854, which directs His Highness invariably to pay the tribute for the service of the Loan of 1854, until wholly liquidated in terms of its contract.

The bondholders of 1854, receiving their promised payments out of the tribute of Egypt for upwards of twenty years, have had no connection with or reliance on the revenues of Turkey. To allow them now to be thrown back on those revenues, or their special and amply sufficient security to be swamped in the embarrassed finances of Turkey, will be to sanction an unparalleled abuse even of despotic power, and shake to the foundation every reliance on public engagements or on a sufficient specific pledge for pecuniary loans. More reasonably or rightfully might a first mortgagee of solvent reality be relegated for payment to an insolvent personalty.

This is not a case of an ordinary or of an imprudent Loan. The holders of Turkish bonds of 1854 cannot be reproached with subscribing or purchasing or holding them at their own risk and with knowledge of danger. The original subscription was encouraged and promoted in their own interests by the Governments of France and England; the money was lent to meet the Turkish expenses in a war to which those Governments were parties; it was raised on security pronounced by the borrower to be irrevocable, and described by his allies to be reliable; it was lent on the faith of directions by the Sultan of a permanent character to the feudatory Sovereign of Egypt, invariably to pay interest and redemption until the whole of the sum borrowed was liquidated. The Khedive of Egypt is able and willing, and it is not to be doubted desirous for his own sake, to continue the payment. Law would, if the question of his refusal could be brought before a tribunal, compel the Khedive to make the accustomed payments out of tribute. But all that is necessary for the continuance of the Khedive's payments is that a firm resolution be expressed by the English Government to the Sultan and the Khedive that such payments must continue, and the English Government, it is submitted, is bound by its official avouchments of 1854 alone to take that step.

By it the Sultan will not be damnified, for, since 1854, he has not received any part

of the tribute pledged for the 1854 Loan; the Khedive will not be injured, for it matters not pecuniarily to His Highness to whom he makes such payment.

But it does matter to the English Government that, having promoted this Loan in 1854, it should not abandon the Loan in 1875; it does matter that the Sultan should not be permitted to commit a downright robbery in respect of what that Government, when interested in procuring him money to carry on a war in which it was deeply interested, expressed official confidence in; it does matter to the Khedive that he should not be dragged into a position that will discredit him by his being made a tool of Turkish dishonesty; it does matter that public faith should not be needlessly made a mockery, a delusion, and a snare; and it does matter to the bondholders of the 1854 Loan, that they should now receive the support of Her Majesty's Principal Secretary of State for Foreign Affairs, and all the power and influence of England at Constantinople and Cairo.

October 16, 1875.

No. 49.

Sir H. Elliot to the Earl of Derby.—(*Received October* 24.)

(No. 654.)

My Lord, *Therapia, October* 9, 1875.

IN the note of the 6th instant, inclosed in my despatch No. 641 of the 7th instant, upon the reduction of the interest, it was stated that during five years it would be paid half in cash, and half in obligations bearing 5 per cent. interest.

The explanatory note, which I only received in time to forward to your Lordship by the last post without comment, gave however a very different version of the proposal; for it appeared that the obligations are not to be for the amount of the suppressed half of the interest, but only for the interest upon that amount.

According to the natural interpretation of the first notice, the payment of half the interest was to be deferred for five years, whereas, according to the second, if it is adhered to, it will be almost wholly confiscated.

I have caused it to be intimated to the Grand Vizier, that as the adoption of any measure of repudiation could not fail to shake the national credit to the very centre, the present mode of proceeding would utterly destroy it, and afford grounds for serious protest.

I was asked what I would advise the Government to do to annul the effect of the last notice, without too apparent a contradiction.

I said I must decline to give any advice as to the manner in which they should proceed in order to undo the mischief of their own ill-considered acts.

It was my duty to point out that the explanatory notice would be regarded as contrary to the understanding conveyed by the first; that it would be severely judged upon every Stock Exchange in Europe, and would cause wide-spread ruin among the local houses. I could earnestly urge the Porte to take all this into serious consideration, but it was out of the question to suppose that I should take the responsibility of suggesting the mode by which the explanatory notice should be explained away.

The only advice that I had to offer was that which I had at first given, when I recommended that if repudiation in some shape was thought inevitable, and to the interest both of the State and of the bondholders, the Government should proceed in an open and straightforward manner, and concert with their creditors upon the least injurious way of carrying it out.

A contrary course had been followed, and, as far as I could judge, the general indignation against the Government is caused much more by the manner in which they had proceeded than by the fact of their having decided to lower the interest.

I have, &c.

(Signed) HENRY ELLIOT.

No. 50.

Sir H. Elliot to the Earl of Derby.—(*Received October* 24.)

(No. 675.)

My Lord, *Therapia, October* 15, 1875.

I HAVE the honour to inclose a memorandum of a communication addressed by the Porte to the Imperial Ottoman Bank, inviting it to take measures for concerting with

the contractors of the foreign loans for the constitution of Syndicates to receive the revenues affected to the service of the public debt.

The Bank is also asked to concert with the Ministry of Finance in preparing arrangements for securing the punctual execution of the financial measures.

I have, &c.

(Signed) HENRY ELLIOT.

Inclosure in No. 50.

Safvet Pasha to the Turkish Representatives Abroad.

Octobre 14, 1875.

LE Ministre des Finances vient d'adresser à la Banque Impériale, d'ordre du Grand Vizir, une lettre par laquelle, en sa qualité de Banque d'Etat elle est chargée de se concerter, par l'organe de ses comités de Londres et de Paris, avec les contractants des emprunts extérieurs pour la désignation des Sindicats qui doivent fonctionner avec ceux de Consantinople dans la surveillance et avec la co-opération de la Banque Impériale, et auxquels seront consignés les revenus affectés au service de la première moitié des intérêts et de l'amortissement payable intégralement en espèce et au paiement également en espèce du 5 pour cent attaché aux titres représentatifs de la seconde moitié, conformément aux dernières résolutions prises par la Sublime Porte et publiées le 9 de ce mois.

La Banque Impériale Ottomane est également chargée de se concerter avec le Département des Finances pour tous les détails d'exécution propres à assurer l'exact et loyal fonctionnement des mesures financières dont il s'agit.

Vous pouvez porter ces informations à la connaissance du public par la voie de la presse.

No. 51.

Lord Lyons to the Earl of Derby.—(*Received October* 24.)

(No. 870.)

My Lord, *Paris, October* 23, 1875.

THE Duc Decazes spoke to me this morning of a letter which your Lordship had (he said) written to the Marquis d'Harcourt on the subject of the reduction of interest on the Turkish Loans.

The Duke told me that, after considering this letter, he had written to the French Ambassador at Constantinople to say that he did not see his way clearly to any immediate intervention of the French Government in the matter. He had (he said) observed to the Ambassador that he had supposed that the meetings of the Ottoman bondholders which were about to be held in Paris and London when he wrote to him before would have resulted in some definite expression of their views and desires, but that this had not proved to be the case. He added that, under these circumstances, he thought it better to give the bondholders time to reflect maturely on their situation, and to come to an agreement as to the steps they thought it desirable to take; and he had therefore desired the Ambassador to await further instructions.

Having given me this account of his despatch to the French Ambassador at Constantinople, the Duke went on to say that he had also postponed, for the present, responding to the invitation, and to suggest a definite plan of action which had been conveyed to him from the Austro-Hungarian Government.

The Duke observed, in conclusion, that he was certainly not disposed to enter upon a campaign at Constantinople without the co-operation of Her Majesty's Government, and that therefore he thought it well to wait for ten days or a fortnight before coming to any resolution.

I have, &c.

(Signed) LYONS.

No. 52.

Sir A. Buchanan to the Earl of Derby.—(Received October 25.)

(No. 357.)

My Lord, *Vienna, October 21, 1875.*

WITH reference to Lord Lyons' despatch to your Lordship of the 14th instant, relative to the late financial measures of the Porte, I learn from Baron Orczy that Count Vogué had asked Count Andrassy whether the Government of Austria-Hungary would be inclined to join in representations at Constantinople, for the protection of the creditors of Turkey, and that his Excellency had answered that he could offer no opinion upon such a proposal without consulting the two Ministers of Finance.

Baron Orczy says that, with the exception of unfounded Treasury Bonds, and Railway Lottery Bonds, he believes few Turkish securities are held in this country, and that as yet it has not been ascertained, though Count Zichy has been instructed to make inquiries on the subject, how far the recent measures will affect the latter of these securities.

I have, &c.
(Signed) ANDREW BUCHANAN.

No. 53.

Mr. Franklin to the Earl of Derby.—(Received October 25.)

My Lord, *Brighton, October 24, 1875.*

OBSERVING that my letter to your Lordship, dated 7th September (in continuation of the correspondence laid before Parliament), waits some formality in order to be published in turn, I crave permission to supplement it by reference to certain recent notifications of the Ottoman Government.

Details furnished to the "Times" of yesterday state the annual produce of Turkish revenues (£'s Turkish): from tobacco, 1,680,000*l.*; from salt (per Customs), 800,000*l.* Thus is proclaimed the fact, that those two revenues—part only of those assigned with privity of Her Majesty's Government for the security of our Loan (subscribed by express recommendation of that Government in support of British interest),—are productive of nearly fourfold the first charge assigned to us, *i.e.*, 320,000*l.* per half-year until 1886.

It seems that of the said tobacco revenues only 650,000*l.* is to be available for Turkish bondholders indiscriminately. That indicates a reserve of the balance, *i.e.*, 1,030,000*l.*, and the possibility of a sufficient provision thereout in satisfaction of our first charge. There has been a recent declaration of the Porte's consent to any mode of collection and due appropriation of hypothecated revenues compatible with its dignity. Tobacco revenue, as heretofore pointed out, is eminently suited to be so dealt with, and your Lordship is respectfully asked to ascertain whether it is so in our case.

Your Lordship is reminded that ours is not a dubious claim to the interest upon our bonds in the sense disavowed by Lord Palmerston, after subscription to the Loan, but a claim originally recognized to official service for protection of our proprietary rights from confiscation or misappropriation. The papers laid before Parliament point out that recognition, as accorded by your Lordship's predecessors, until found inconvenient. And we continue to maintain that, as involving a sacrifice of vested rights or interests, whether for profit of others, or in subordination to our own national expediency, nothing less than the will of Parliament, duly ascertained, can dispose of such a claim, even if not continuously recognized by a responsible administration. Obviously, nothing less than confiscation would be consequent upon a casting of our priority dues into hotchpot by contrivance of parties who have, in late years, entangled the Porte financially in modes now exposed and denounced.

Referring again to mine of 7th September last, attention is called to the device whereby revenues since collected have been intercepted in behalf of those possessed of coupons maturing on this current month. In practice, like appropriations in contemplation of insolvency are, to say the least, illicit. And what if the agency employed be one recouping itself temporary advances made as means to that end?

It seems proper to explain that while bondholders of other Turkish Loans assemble for concerted action, there exists no administration competent to convene us distinctively. The names of the contractors for our Loan have not been divulged. Messrs. C. Devaux and Company, and the then Ottoman Bank, were simply "Agents to the Contractors." The

successors to the original firm of C. Devaux and Company disclaim interest in the matter. The Ottoman Bank has merged into the Imperial Ottoman Bank, dependant upon the Ottoman Government and its Agent in misappropriation of our dues.

We remain unable to obtain any list of *bond fide* holders of 1862 bonds (as available in others like cases), and we cannot consent to be outvoted, much less represented, by persons unable or unwilling to adduce proof of *bond fide* holdings, and of freedom from the bias attributable to countervailing interest in other Loans.

I have, &c.
(Signed) J. A. FRANKLIN.

P.S.—I am warranted in writing your Lordship to announce on our behalf that, in the event of an approved plan for the administration of Turkish finances, which in its *personnel* shall be entitled to our confidence, we shall be found willing to manifest all reasonable forbearance towards a State whose prosperity so nearly concerns us. We abstain meanwhile from mere clamour and from premature suggestions of settlement which, according to usage and common sense, must first be submitted for our acceptance by accredited Representatives of Turkey.

J. A. F.

No. 54.

Mr. Lister to Sir John Lubbock.

Sir, *Foreign Office, October 25, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 23rd instant, forwarding copy of a Resolution passed at a meeting of Turkish bondholders held on the 19th instant, and requesting Her Majesty's Government to use their influence with the Ottoman Government on behalf of the bondholders, and in reply I am to state to you that the subject is under consideration.

I am, &c.
(Signed) T. V. LISTER.

No. 55.

Mr. Lister to Mr. Hyde Clarke.

Sir, *Foreign Office, October 25, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 20th instant, forwarding copy of a Resolution which was passed at a meeting of Turkish bondholders held on the 19th instant at the City Terminus Hotel.

I am, &c.
(Signed) T. V. LISTER.

No. 56.

Mr. Lister to Mr. W. H. Clark.

Sir, *Foreign Office, October 25, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 22nd instant on the subject of the Ottoman Loan of 1854, and in reply, I am to state to you that the question is under consideration.

I am, &c.
(Signed) T. V. LISTER.

No. 57.

Sir H. Elliot to the Earl of Derby.—(Received October 26.)

(No. 681.)

My Lord, *Therapia, October 18, 1875.*

I HAVE the honour to inclose the copy of a note from Safvet Pasha, transmitting the copy of a letter addressed by the Minister of Finance to the Imperial Ottoman Bank,

declaring the resolution of the Porte to maintain the rights and privileges of that institution, and requesting it to concert with the contractors of the foreign loans for the appointment of their representatives to represent them in the Syndicate to receive the revenues which are to guarantee the interests.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 57.

Youssouf Pasha to the Directors of the Imperial Ottoman Bank.

Messieurs les Directeurs,

VOUS avez constaté par les déclarations de la Sublime Porte la volonté formelle du Gouvernement Impérial de maintenir dans toute leur intégrité les droits et les priviléges de la Banque Impériale Ottomane qui découlent des stipulations de ses Conventions officielles.

Vous avez été non moins complètement édifiés par suite des explications loyales de Son Altesse le Grand Vézir sur la nécessité impérieuse de la mesure financière qui vient d'être décrétée par la Sublime Porte, au sujet du mode de payement des intérêts et de l'amortissement da la Dette Publique de l'Empire, applicable durant une période de cinq ans, à dater de ces jours.

Cette mesure avantageuse pour le Trésor, en ce qu'elle permet d'équilibrer son budget dans un très court espace de temps et à le mettre, dès lors, à l'abri de toutes les préoccupations, de toutes les incertitudes qui ne manqueraient pas de l'assaillir à chaque échéance du coupon et qui aurait fini par ruiner totalement son crédit, au plus grand détriment des créanciers de l'Etat ; cette mesure, dis-je, sauvegarde, d'un autre côté, les intérêts des détenteurs de nos fonds, en ce sens qu'elle leur assure des garanties sérieuses pour le payement de ce qui leur est dû, sans attendre la réalisation d'emprunts onéreux dont l'unique résultat était de grossir de plus en plus le déficit de notre budget et de compromettre gravement l'intérêt et la dignité de la Sublime Porte.

Vous n'ignorez pas non plus, que le Gouvernement Impérial s'est empressé de mettre à la disposition des syndics qui fonctionneront à Constantinople, sous la surveillance et avec la co-opération de la Banque Impériale, les revenus des douanes, du sel et du tabac, ainsi que le tribut d'Egypte, et en cas d'insuffisance les produits de la taxe sur les moutons.

Pour prévenir toute incertitude qui pourrait se produire à cet égard, et pour mettre un moment plustôt à exécution la partie la plus importante de la mesure financière dont il s'agit, à savoir la désignation en chiffres des garanties ci-dessus spécifiées, de manière à assurer la régularité du nouveau mode de payement, je viens, d'ordre de Son Altesse le Grand Vézir, vous prier, Messieurs, de vous concerter immédiatement avec les comités de la Banque à Paris et à Londres, pour qu'ils aient, d'accord avec les contractants de nos emprunts, à désigner, sans retard, leurs représentants dans le Syndicat de Constantinople auquel seront consignés les revenus désignés à titre de garantie.

Vous voudrez bien également dresser, de concert avec mon département, et conformément aux publications officielles, l'état exact des sommes consacrées tant au payement intégral, en espèces, de la première moitié des coupons et amortissements de nos dettes intérieures et extérieures, qu'au payement, également en espèces, des intérêts des nouveaux titres représentant la seconde moitié des dits coupons et amortissements, et enfin le tableau exact et précis des garanties qui deviendront libres le jour de l'extinction du plus prochain emprunt extérieur et qui seront, dès lors, affectées au remboursement du dit 5 pour cent intérêts et amortissement compris, dans le cas où le même 5 pour cent ne pourrait être remboursé à l'expiration des cinq années, le tout en conformité de ce qui a été dit dans la dernière déclaration de la Sublime Porte en date du 9 de ce mois.

La Banque Impériale Ottomane, tout en s'acquittant de cette mission, reste en même temps chargée de proposer à mon département tous les autres détails d'exécution, afin d'assurer le fonctionnement régulier du nouveau service de la dette publique intérieure et extérieure à dater du 1 Janvier, 1876.

Veuillez, &c.

Constantinople, le $^{2}/_{4}$ *Octobre*, 1875.

No. 58.

Mr. Palmer to the Earl of Derby.—(*Received October* 27.

My Lord, 11, *King's Arms Yard, London, October* 26, 1875.

I HAVE the honour to transmit, for the information of your Lordship, the inclosed copy of Resolutions passed at a meeting of Bondholders of the above Turkish Loans, held at the London Tavern, on the 21st instant.

The Committee appointed at that meeting are very anxious to have an interview with your Lordship in reference to the position of the holders of bonds of these Loans, and will be greatly obliged if you will name an early day to receive a deputation from them.

I have, &c.
(Signed) EDWD. HOWLEY PALMER, *Chairman.*

Inclosure in No. 58.

Imperial Turkish Six per Cent. Loans of 1854, 1858, *and* 1871.

AT a meeting of Bondholders of the above Loans, held pursuant to public advertisement, at the London Tavern, on Thursday, 21st October, 1875.

Edward Howley Palmer, Esq., *in the Chair.*

The following Resolutions were adopted—

Moved by the Chairman, seconded by Sir Philip Rose, Bart.:—

1. That this meeting considers it advisable, for the protection of the interests of Turkish bondholders, to appoint a Committee to act in co-operation with Messrs. Dent, Palmer & Co., in their communications with the Governments of Her Majesty and the Sultan, and otherwise as they may think fit. That the Committee do consist of the following gentlemen, with power to add to their number, and do invite the representatives of all the Turkish issues to join such Committee :—

Edward Howley Palmer, Esq.
Arthur Otway, Esq.
Admiral Sir Charles Eden, K.C.B.
Sir Philip Rose, Bart.
R. H. Galloway, Esq.

Moved by J. H. Daniell, Esq. ; seconded by J. W. Redhouse, Esq. :—

2. That it be an instruction to the Committee, in considering any proposals, or discussing any arrangement with the Turkish Government, to retain inviolate the principle stipulated for in the bonds, in favour of the bondholder, of a remittance half-yearly of the Egyptian Tribute, and other revenues especially hypothecated, to the Bank of England, but subject to a recognition of this principle, this meeting, as representing the bondholders of the Loans of 1854, 1858, and 1871, will be prepared to give most earnest and careful consideration to any proposition that may be made on behalf of the Sultan, and to assist, in the present state of the financial embarrassment of the country, in a manner which may conduce to the consolidation of its financial position.

A vote of thanks to the Chairman.

No. 59.

Mr. Hyde Clarke to the Earl of Derby.—(*Received October* 28.)

Council of Foreign Bondholders, 10, *Moorgate Street, London, October* 27, 1875.

My Lord,

I HAVE the honour inform your Lordship that at a General Meeting of the bondholders of the Ottoman Loan of 1862, held at the Council-house 10, Moorgate Street, on Tuesday the 26th instant, Mr. Francis Bennock in the chair, the following resolutions were unanimously passed :—

Moved by the Chairman; seconded by Mr. C. Surgey ; and resolved—

"That in pursuance of the resolution of the general meeting of Turkish Bondholders of Tuesday, the 19th October instant, a committee be nominated by the bondholders of

the 1862 Loan for the purpose of protecting their own interests, and of co-operating with the Commissioners for the Loan and with the Council of foreign bondholders."

Resolved—

"That the following be elected the committee, with power to add to their number:—Mr. Joseph Sebag, Rev. W. Hodgson, Mr. G. K. Corfield, Mr. G. E. Peters, Mr. C. F. Hamond, M.P., Mr. Alderman Figgins, Mr. H. Dumphy, Mr. H. W. Cozen, Mr. Wells.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

No. 60.

Mr. Redhouse to Lord Tenterden.

16, *Kilburn Priory, October* 29, 1875.

(Private.)

Dear Lord Tenterden,

THE inclosed tabular statement of Turkish indebtedness was drawn up at my suggestion, to the best of his ability, by a City friend of mine, whose business requires him to be well informed on such matters.

I have given a copy to Mr. E. H. Palmer, whom I personally know, and to Musurus Pasha. Thinking it possibly may be useful, if only to send to the Embassy at Constantinople for examination, correction, and completion if possible, I have deemed it my duty to submit a copy to you for such purposes as you see proper.

Yours, &c.

(Signed) J. W. REDHOUSE.

Inclosure in No. 60.

Approximative Tabular Statement of Ottoman Indebtedness for 31st December, 1875.

Date of Loan, &c.	Rate of Interest.	Sinking Fund.	Nominal Amount.	Outstanding 31st December, 1875.	Interest for 1876.	Sinking Fund for 1876.	Date of Extinction.	Rate of Issue.	Popular Name.	Remarks.
			£	£	£	£				
With special hypothecations, issued before Consolidés—										
1854	6	1	3,000,000	1,696,580	113,790	96,200	July 1889..	80	1st Egyptian Tribute, Guaranteed England and France	
1855	4	1	5,000,000	3,815,200	152,608	97,400	May 1900..	102½		
							December 1692..	85 / 62½	1858 Customs.	
1858	6	1	5,000,000	3,589,540	215,370	134,700	?	?	1st French	Items not well known to compiler.
1860	6	?	2,000,000	1,200,000	72,000	35,000	May 1886..	68	1862 Tobacco, &c.	
1862	6	2	8,000,000	4,915,900	294,954	350,300	November 1888..	71⅛ 7s. 6d.	Mirès's French Loan.	
1863-64	6	2	8,000,000	5,083,400	305,004	340,100				
Totals	..	..	31,000,000	20,300,500	1,153,726	1,053,700	..	..	.. ..	Total issued before Consolidés.
With special hypothecations, issued after Consolidés—										
1865	6	2	6,000,000	4,034,500	242,070	268,500	November 1886..	65½	Morton's	Hypothecation protested against by Agent of Consolidés.
									Cohen's	Special hypothecation not stated. (See below, 1873.
1869	6	1	22,222,220	20,650,000	1,239,000	321,000	September 1992..	60½		
							July 1905..	73	Egyptian Tribute, 1871.	
1871	6	1	5,700,000	5,450,660	327,040	67,820	..	..	.. ..	Total with Sinking Funds.
Totals	..	..	64,222,220	50,635,060	2,961,836	1,711,020				
No special hypothecation, consolidés, &c., subsequent—							..	50	General Debt Consolidés..	
1865	5	..	35,363,363	..	..	..				
Treasury Bonds—					?	..	July 1876..	93½	Treasury Bonds	Nearly all converted into 5 per Cents.
A	2	..	3,708,750	..	? 333,788	..	July 1877..			Partly converted into 5 per Cents.
B			3,708,750	..	? 333,788	..	July 1878..			Optionally convertible into 5 per Cents.
C			3,708,750	..	..	..	..	? 56½	.. ..	With 1869's, making 50,000,000*l.*, not fully issued; say 18,000,000*l.*
1873	6	..	27,777,780	..	..	..	..	..	.. ..	Including converted Treasury Bonds; amount doubtful.
Later	5	..	34,000,000	..	..	..	..	..	.. ..	Converted Treasury Bonds must be deducted.
Total	..	..	174,189,563	..	..	..	..	..		
Floating debt ..	..	..	?							
Railways Guarantees ..	..	..	?							

No. 61.

Lord Lyons to the Earl of Derby.—(Received October 30.)

(No. 879. Confidential)

My Lord, *Paris, October 29, 1875.*

HAVING received yesterday morning your Lordship's despatch No. 654 of the day before, inclosing the decypher of a telegram from Sir Henry Elliot dated the 21st instant, I went in the afternoon to the Duc Decazes and asked him whether he had received any confirmation or elucidation of the telegram from M. de Bourgoing, the French Ambassador at Constantinople, of which he had related the substance to me on the 14th instant.

Your Lordship will remember that the contents of the telegram, as repeated to me by the Duc Decazes,* were that the Sultan had declared with his own mouth to M. de Bourgoing himself, and to Sir Henry Elliot, that at the expiration of the five years no more bonds would be issued in compensation for the unpaid half of the interest on the Turkish Loans, and that at the end of that time half interest alone would be paid without any compensation whatever.

The Duke answered that no further information on the subject had reached him, but that in fact he had not yet received written despatches from M. de Bourgoing of as late a date as the telegram. He went on to say that he had certainly understood the telegram to mean that the communication had been made by the Sultan himself to the two Ambassadors in person; but that now he began to think that there could only have been a message sent by His Majesty to the Ambassadors through some other person.

I told the Duke that Sir Henry Elliot had informed your Lordship not only that he had had no audience of the Sultan, but that no communication at all, such as that in question, had been received by him.

I send to-day a copy of this despatch to Sir Henry Elliott by the Queen's messenger, Mr. Robert Johnson.

I have, &c.
(Signed) LYONS.

No. 62.

Mr. Lister to Mr. Franklin.

Sir, *Foreign Office, October 30, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 24th instant respecting the Ottoman Loan of 1862.

I am, &c.
(Signed) T. V. LISTER.

No. 63.

The Earl of Derby to Sir H. Elliot.

(No. 341.)

Sir, *Foreign Office, October 30, 1875.*

I APPROVE the steps taken by your Excellency to obtain an explanation from the Porte respecting their explanatory note in reference to the reduction of interest upon the various Ottoman loans, as reported in your despatch No. 654 of the 9th instant.

I am, &c.
(Signed) DERBY.

No. 64.

Sir A. Paget to the Earl of Derby.—(Received November 1.)

(No. 289.)

My Lord, *Rome, October 27, 1875.*

I ASKED M. Artom to-day if the Italian Government had made, or intended to make, any representation at Constantinople respecting the financial measures recently adopted by the Porte.

* No. 28.

He replied that when the Turkish Minister had first communicated to him, in the absence of M. Visconti Venosta, the decision taken by the Turkish Government, he had said that neither the Italian Government nor, as far as he was aware, any other Government, wished to do anything which might aggravate the difficulties of the position in which ths Turkish Government found itself; that if that Government were to set to work in earnest to give practical effect to the assurances they held out, they might yet do much to retrieve the disastrous effect which their recent measures had very naturally produced, and consequently in furtherance of the interests of the holders of Turkish stock; and M. Artom did not conceal, he said, his opinion that both politically as well as financially the Turkish Government had committed a great blunder.

Further than this, I understood from M. Artom there had been no communication with the Turkish Government upon this matter, nor did he think that the Italian Government would be disposed to act by itself upon it.

Should, however, the Governments of Great Britain and France decide on making a representation at Constantinople, the Italian Government could hardly refrain from doing so likewise; because if they did, as the principal part of the Turkish stock held in Italy was in the hands of the clerical party, it might be said that the Government held aloof in order to spite their political adversaries.

I have, &c.
(Signed) A. PAGET.

No. 65.

Mr. Austin to the Earl of Derby.—(Received November 2.)

1, *Westminster Chambers, Victoria Street, London, S.W., November 1, 1875.*

My Lord,

IT is with the greatest diffidence that I make the following suggestions:—

The present critical position of the Ottoman Government, and my recent experience during a two years' residence in Constantinople, must form my excuses for venturing to anticipate your Lordship's action, which, I would fain hope, will take or has already taken nearly the same shape as that proposed below.

Let Her Majesty's Ambassador be instructed to represent how the Sultan's Grand Vizier, Mahmoud, with his well-known Russian proclivities, has succeeded in setting the whole of Europe against Turkey, and placing the Empire at the mercy of Russia; how this can be immediately remedied by the dismissal of the Grand Vizier, and the appointment of another (perhaps Midad) in his place.

The result, I have reason to know, will be the immediate dismissal of the Grand Vizier. England will regain the "prestige" in Turkish affairs it formerly possessed, and the arrangement of the finance question will be accomplished.

The new Grand Vizier acknowledging the default of the State, already made public, will demand a Commission to arrange the partition of the surplus revenue amongst the bondholders.

The Commission will divide the surplus between the several loans in the proportion of their price of issue (for they are really all guaranteed loans), and any additional surplus at the expiration of the five years will be placed to the account of redemption.

Again apologizing for troubling your Lordship, I have, &c.
(Signed) CHARLES E. AUSTIN.

No. 66.

Decree ordering the Creation of 35,000,000 Turkish pound Bonds, dated October 30, 1875. —(Communicated to the Earl of Derby by Musurus Pasha, November 2, 1875.)

Article 1. Il est créé pour 35,000,000*l.* Turques de titres au porteur jouissant d'un intérêt annuel de 5 pour cent, payable semestriellement et en or à Constantinople, et dans toutes les villes où se fait le service de la Dette Générale 5 pour cent.

Art. 2. Les titres 5 pour cent, ainsi créés, seront remboursés au pair et en or au moyen d'un amortissement annuel de 1 pour cent qui fonctionnera au plus tard à partir du 1/13 Janvier, 1887, et par voie de tirages au sort.

Art. 3. Les titres seront signés par le Ministre des Finances et revêtus du sceau de l'Etat. Ils seront, en outre, revêtus, au moment de leur emploi, du visa de l'un des Syndics délégués à cet effet ou de la Banque Impériale Ottomane. Ils seront libellés en Turc, en Anglais et en Français. Ils seront reçus dans les caisses de l'Etat ou des Administrations Publiques comme cautionnement ou garantie au même titre que la Dette Générale 5 pour cent et les obligations des emprunts extérieurs.

Art. 4. Les 35,000,000*l.* Turques de titres 5 pour cent seront divisés en cinq séries de 7,000,000*l.* Turques, chacune correspondant à chacune des cinq années durant lesquelles le service des intérêts et de l'amortissement des dettes intérieures et extérieures doit être effectué, conformément aux mesures décrétées. En conséquence, les titres de chaque série seront, au commencement de chaque année, revêtus du visa mentionné dans l'Article 3. Délivrés en payement de la moitié des coupons et du montant des titres amortis des dettes intérieures et extérieures, chacune des cinq séries sera elle-même subdivisée en deux fractions dont l'une portera intérêt à partir du 1/5 Janvier et l'autre à partir du 1/5 Juillet.

Le 1/5 Janvier, 1887, époque où sera repris le service exclusivement en espèces des dettes intérieures et extérieures, le nombre des titres émis de chaque service durant les cinq années écoulées sera vérifié et définitivement arrêté ; et les titres qui n'auraient point été employés, resteront à la souche, et ne pourront point être émis.

Art. 6. La contexture, le libelle, le montant, et les autres conditions de la création et de la délivrance des titres 5 pour cent seront arrêtés par le Ministère des Finances.

Art. 7. Le service des intérêts sur les titres créés par la présente Loi sera assuré par les mêmes garanties que celles affectées au service de la moitié payable en espèces de l'intérêt et de l'amortissement des dettes intérieures et extérieures, et placé sous le même contrôle.

Constantinople, le 30 *Ramazan*, 1292 (*Octobre* 30, 1875).

No. 67.

Extract from the "Times," Wednesday, November 3, 1875.

Constantinople, November 1, 1875.

THE following is the text of the Law (of which a summary was telegraphed on Sunday) ordering the issue of Five per Cent. Bonds to the amount of 35 million Turkish pounds, in conformity with the financial measures decreed by the Sublime Porte on the 5th of October, in virtue of an Iradé of His Imperial Majesty the Sultan :—

"Clause 1. The creation is hereby ordered of 35 million Turkish pounds of bonds to bearer, at a yearly interest of 5 per cent., payable half-yearly in gold at Constantinople, and in all towns where payments are made on account of the Five per Cent. General Debt.

"Clause 2. The Five per Cent. Bonds thus created will be repaid at par in gold by means of a yearly sinking fund of 1 per cent., which will enter into operation, at the latest, on and after the 1st (13th) of January, 1887, by means of drawings.

"Clause 3. The bonds will be signed by the Minister of Finance, and will bear the State Seal. They will, moreover, on being utilized, bear the *visa* of one of the Syndics delegated for the purpose, or that of the Imperial Ottoman Bank. They will be worded in Turkish, English, and French. They will be received at the Treasuries of the State and Public Offices as caution money or guarantee on the same footings as the Five per Cent. General Debt and the bonds of the external Loans

"Clause 4. The 35 million Turkish pounds of Five per Cent. Bonds will be divided into five series of seven millions of Turkish bonds, each corresponding with one of the five years during which the payment of the interest and sinking fund of the internal and external debts is to be effected conformably with the measures which have been decreed. Consequently the bonds of each series will, at the commencement of each year, be furnished with the *visa* mentioned in Clause 3. Being delivered in payment of half of the coupons and of the amount of the redeemed bonds of the internal and external debts, each of the five series will itself be divided into two fractions, whereof one will bear interest from the 1st (13th) of January, and the other from the 1st (13th) of July.

"Clause 5. On the 1st (13th) of January, 1887—the date when the payment exclusively in specie of the internal and external debts will be resumed—the number of the bonds issued of each series during the five years that have elapsed will be verified and definitively

fixed, and the bonds which may not have been used will remain on the counterfoil and cannot be issued.

"Clause 6. The contexture, wording, amount, and other details of the creation and delivery of the Five per Cent. Bonds will be settled by the Minister of Finance.

"Clause 7. The payment of the interest upon the bonds created by the present law will be insured by the same guarantees as those provided for the payment of the half payable in specie of the interest and sinking fund of the internal and external debts, and will be placed under the same control.

"*Constantinople, the* 30*th Ramazan*, 1292 (*October* 30, 1875)."

No. 68.

Mr. Corfield to the Earl of Derby.—(*Received November* 4.)

31, *Porchester Square, W., November* 3, 1875.

My Lord,

I HAVE the honour to hand to your Lordship a proposal I submitted to the Council of Foreign bondholders and several Committees of Turkish stocks. It has been received in a conciliatory spirit, and a sincere desire to assist the Ottoman Government out of her difficulties has been evinced by all parties. By this plan the Porte will effect an annual saving of about 6,000,000*l.*, and an ultimate saving of upwards of 40,000,000*l.*, and I feel confident that if Sir Henry Elliot were entrusted to bring the proposal to the notice of the Grand Vizier as one likely to be acceptable, it would not only be well received, but would prove to the Porte that Her Majesty's Government, as well as her subjects, were still deeply interested in the permanent welfare of Turkey.

Unless substantial measures of relief are at once submitted to the Finance Minister, it is not likely the late Decree will be amended, or that an International Commission will be assented to by the Porte, with substantial guarantees.

I have, &c.

(Signed) G. K CORFIELD.

Inclosure in No. 68.

Proposition.

THAT the Decree issued by the Ottoman Government is not only unwise, but impolitic, in the interests of the Empire, as well as all classes of bondholders, because it will add an enormous amount to the present debt.

2. That the Imperial Government be requested to modify or annul the Decree.

3. To relieve the Empire from any addition to the present debt, it is proposed that the various Governments and the Committees of the Loans should be requested to consider the following definite and practicable scheme, which would avoid all complications, or the issuing of new bonds, and could be carried out without delay.

4. That for the future the drawings on all 6 per cent. loans shall take place once only in each year, from the 2nd of January next.

5. That the interest on the 6 per cent. bonds shall be reduced to 4 per cent. for five years, from the 2nd of January next.

6. That as the 5 per cent. or general debt has no sinking fund, and no special securities, and was issued at such a very much lower price, the interest be reduced to 2½ per cent. on that loan for five years, from the 2nd of January next, as proposed in the Decree.

No. 69.

Lord Tenterden to Mr. Hyde Clarke.

Foreign Office, November 4, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 27th ultimo, reporting the Resolutions passed at a general meeting of the bondholders of the Ottoman Loan of 1862.

I am, &c.

(Signed) TENTERDEN.

No. 70.

The Duc Decazes to the Marquis d'Harcourt.—(Communicated to the Earl of Derby by the Marquis d'Harcourt, November 5.)

M. le Marquis, *Paris, le 3 Novembre*, 1875.

J'AI reçu la dépêche que vous m'avez fait l'honneur de m'écrire en date du 31 Octobre.

Tout en reconnaissant avec Lord Derby qu'en principe les Gouvernements ne sont pas tenus à prêter leur appui à leurs nationaux, dans les contestations qu'ils peuvent avoir avec les pays étrangers dont ils sont créanciers, je crois que les Cabinets ne sauraient demeurer indifférents aux arrangements qui pourront être pris en faveur des porteurs de la dette Ottomane. Il y a eu à leur égard une violation toute particulière des contrats, puisque les garanties affectées à certains emprunts ont été détournées de leur destination. Des considérations puissantes de politique générale suffiraient, selon nous, à justifier la sollicitude de la France et de l'Angleterre pour les intérêts qui se trouvent compromis. Le Cabinet de St. Pétersbourg, quoique n'ayant pas de raisons aussi puissantes pour intervenir dans la question, ne se refusera pas néanmoins à concourir dans une certaine mesure à une démarche qui aurait pour objet de donner une garantie morale à l'accord qui sera conclu entre la Porte et ses créanciers, lorsque les syndicats, que le Grand Vizir convie lui-même à se former, seront constitués. La Russie serait disposée à prendre acte avec nous de cet arrangement. Il y aurait dans une mesure de ce genre, commune à toute l'Europe, un gage précieux de sécurité pour le bon fonctionnement du contrôle que le Gouvernement Turc consent à accepter. Je vous envoie au surplus ci-jointe une copie de la dépêche par laquelle le Chargé d'Affaires de France à St. Pétersbourg me rend compte des dispositions que le Baron de Jomini lui a témoignées, et je vous autorise à les faire connaître à Lord Derby.

Agréez, &c.
(Signé) DECAZES.

Inclosure in No. 70.

M. de Laboulaye to the Duc Decazes.

M. le Duc, *St. Pétersbourg, le 25 Octobre*, 1875.

J'AI déjà signalé à votre Excellence le peu d'intérêt qui à St. Pétersbourg s'attachait à la situation des créanciers de la Turquie. La meilleure raison à en donner est qu'il n'existe pas en Russie de détenteurs de fonds Turcs. En présence des nombreuses victimes atteintes ailleurs, et surtout en France, par ce désastre, je me suis efforcé cependant, toutes les fois que j'ai eu l'occasion de voir M. de Jomini, d'attirer son attention sur les devoirs qui me semblaient s'imposer à toutes les Puissances dans une circonstance semblable, aussi bien que sur le rôle important qu'une bonne question financière était appelée à jouer dans l'ensemble des réformes attendues de la part du Gouvernement Ottoman.

Votre Excellence de son côté a entretenu M. Okouneff de cette grave question, et c'est à la suite des rapports qu'il a reçus de Paris que le Baron de Jomini a cru devoir prendre des ordres de l'Empereur Alexandre.

Ainsi que j'ai eu l'honneur de vous en informer, M. le Duc, par un télégramme en date d'hier, le Cabinet de St. Pétersbourg ne nous refusera pas son concours en tant que l'indépendance administrative de la Porte sera respectée, et qu'il ne s'agira qu'à assurer, par une garantie internationale qui serait par exemple une prise d'acte, l'exécution des nouveaux engagements pris à Constantinople.

Veuillez, &c.
(Signé) LABOULAYE.

No. 71.

Lord Tenterden to Mr. Corfield.

Sir, *Foreign Office, November 5*, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 3rd instant, communicating to his Lordship a proposal submitted by you to the Council

of Bondholders to relieve the Turkish Government in their present position toward the bondholders of the various Ottoman Loans.

I am, &c.
(Signed) TENTERDEN.

No. 72.

Lord Tenterden to Mr. Austin.

Sir, *Foreign Office, November 5*, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 1st instant, containing suggestions in regard to the various Ottoman Loans.

I am, &c.
(Signed) TENTERDEN.

No. 73.

Extract from the "Times" of November 6, 1875.

THE TURKISH LOANS.—Yesterday an influential deputation of the Committee representing the Bondholders of the Ottoman Loans of 1854, 1858, and 1871 waited on Lord Derby by appointment at the Foreign Office. The deputation consisted of Mr. E. H. Palmer (Deputy-Governor of the Bank of England, member of the firm of Dent, Palmer, and Co., agents of the above-mentioned loans, and chairman of the Committee), Mr. A. Otway, Admiral Sir C. Eden, Sir Philip Rose, Mr. R. H. Galloway, Admiral Sir A. Slade, Mr. H. Oppenheim, Mr. J. Staniforth, and Mr. G. H. Palmer. Mr. H. Freshfield (Messrs. Freshfield and Williams), Solicitor, and Mr. J. R. Lloyd, Secretary to the Committee, were also present.

The deputation was introduced by

Mr. E. H. Palmer, who said their object in seeking the interview was not for the purpose of advocating any sectional interests, nor did they think of asking Her Majesty's Government and the Government of France to interfere generally in this Turkish question; but they thought, or rather hoped, that if they could show by the Governments of England and France acting strictly within the terms of the Convention of 1855, and that alone they could materially aid very large classes of English and French subjects who were interested in this question, they would not refuse to lend their aid. The ground of their complaint was, not that Turkey had incurred obligations which she was unable to fulfil—that was a misfortune which the creditors must be prepared to deal with—but that the Turkish Government, in an arbitrary manner, had taken upon itself, without any communication with the creditors of the country, to alienate hypothecations given in the most sacred manner possible from the loans issued from 1854 to the present time, and receiving the benefit of the value of those hypothecations when her credit was better than it was now, and taking those hypothecations—those securities—to put the loans so raised upon a dead level with obligations which she had contracted which were without any security at all. He thought this was a piece of injustice which, as an abstract proposition, his Lordship would say was not to be defended.

Lord Derby.—If I do not misunderstand you, your objection is the securing of the unsecured debts with your securities.

Mr. Palmer.—Precisely, and not only that. The securities were positively taken away from the secured debts to pay unsecured creditors. It was perfectly true that the Turkish Government had stated that the Loan of 1855 was to be excepted from the arrangement so far as the amount of interest to be paid on it and the sinking fund were concerned; but it was not to be excepted from the alienation of securities assigned to it. In 1855, when the Convention was entered into between England, France, and the Sultan, the security given for the interest and sinking fund of the 1855 Loan was, first, the surplus of the tribute of Egypt, after the 1854 Loan had been provided for, and the Customs of Smyrna and Syra. These were the securities specially assigned by the IIIrd Article of the Convention for that loan, and the Bank of England was made a party to the transaction, for, in August 1855, a "tribute account" was opened, under the authority of the contractors for the 1854 Loan, and the whole tribute was passed to an account headed "Egyptian Tribute for the Loans of 1854 and 1855." The Governor of the Bank then

wrote to the Turkish Ambassador, explaining the nature of the account opened, and the Turkish Ambassador confirmed it, stating that it was quite in accordance with the terms of the Convention. That mode of applying the tribute had been carried out with great detail from 1854 to the present time—that was to say, that the Bank of England would not part with any portion of that tribute until the 1854 Loan was provided for. On more than one occasion the Turkish Government had desired to appropriate a larger sum than was strictly applicable at the moment for the 1855 Loan, but the Bank of England had invariably declined to allow it. It was a trust which the Bank had accepted, and which it strictly carried out so far as these loans were concerned. If, therefore, the arrangement which the Turkish Government proposed were carried out, the Egyptian tribute would go to Constantinople and form part of the fund to pay the interest which it was proposed to pay on the whole of the loans. He thought it would be difficult to say how far the English and French Governments were bound to adhere to that security. He then proceeded to quote from speeches of Lord Palmerston in the House of Commons, and of Lord Clarendon in the House of Lords, in which the securities to which he had alluded were specially mentioned as the ground on which they urged Parliament to pass the Bill; and he thought there was no doubt the same representations were made to the French Legislature by Drouyn de Lhuys.

Lord Derby.—Did not that debate arise, not upon the question of the Loan of 1854, but upon the question of the guaranteed Loan of 1855?

Mr. Palmer.—Yes, certainly it did.

Lord Derby.—As regards the Loan of 1855, the Turkish Government does not interfere with that in any way so far as the payment of interest is concerned; and, therefore, so far as that loan is concerned, it seems to me, speaking my own personal opinions, that it is entirely a question between the two Governments.

Mr. Palmer.—The English and French Governments have guaranteed this loan (the 1855 Loan), and, if the interest be not paid, the British public will have to pay it. If you allow the special securities to be taken away, you have simply a promise to pay.

Lord Derby.—That is a question entirely distinct from the question of the unguaranteed loans.

Mr. Palmer, continuing, said they were merely talking of the 1855 Loan, and if the security for that loan were diverted, the Government would allow the security which had been put before Parliament as the security for the loan to be taken away; and this, he submitted, would be a great wrong on England and France. Therefore, he urged the Government to assist in forcing the Turkish Government to make another arrangement than that which they had proposed. Looking at the circumstances under which the Act of Parliament was passed and the representations made at the time, he thought it would be rather a strong measure if England consented to the security being now diverted without any good consideration. What they asked was that the Government would express an opinion through Sir Henry Elliot that this measure, involving the question of the diversion of hypothecations, could never lead to any amicable arrangement between Turkey and her creditors, and that so far as the two Governments were concerned they must decline to allow their securities to be diverted or disposed of otherwise than was originally agreed upon. It might be said that up to the present the Turkish Government had not diverted the tribute, and they had no notice of any *Irade* having been issued to the Khedive to that effect; but he contended that the terms of the Decree could read in no other way than thatthe Egyptian tribute was to form part of the purposes of that Decree. They had received a letter from the Turkish Ambassador inviting them to send a member to Constantinople to act upon the Syndicate for the distribution of the money; but they had declined to do so.

Mr. Otway said he would confine his remarks entirely to the tribute Loan of 1854 and to the connexion which Her Majesty's Government of the day had with that Loan, and he thought his observations could not be made in a more appropriate place, as it was from that Department, if not from that room, that encouragement was given to the public to subscribe to the Loan. He found in a prospectus issued by Sir Isaac Goldsmid and Mr. Palmer a statement, and he understood that they were authorized by Lord Clarendon to inform the public that,—

"This Loan is not only charged on the general revenue of Turkey, but is specially secured, principal and interest, by the assignment of 30,000,000 piastres (282,000*l.* sterling) tribute paid by the Pasha of Egypt to His Majesty the Sultan by virtue of the Treaty of 1841, contracted under the sanction of the Great Powers of Europe. This tribute is to be remitted half-yearly direct from the Pasha of Egypt to the Agents in London."

Why, he asked, did a Minister of the great experience and high character and position of Lord Clarendon take a course so unusual as to encourage the British public to subscribe

to this Loan? Simply because he knew it was to be raised for a great purpose and that national interests were involved in its success; and this was to be found in the discussions in Parliament on the subject. He distinctly remembered the language used by Lord Palmerston when discussing the Convention of 1855, and that was that Turkey should be aided to obtain the money to enable her to carry on the war she was engaged on in conjunction with England and France. It seemed to him that encouragement had been given by Her Majesty's Secretary of State for Foreign Affairs, and cognizance had been taken of the Loan by the Prime Minister and by the Secretary of State for Foreign Affairs, who pressed Parliament to sanction the Convention. It was said that Governments were not bound to consider the interests of individuals, and that, so long as the State was not damnified, that was all they had to consider; but he did not think this doctrine would find acceptance with his Lordship. The honour of our statesmen was a cherished possession, and his Lordship knew how essential it was in Parliamentary Government that faith should always be placed in Ministerial declarations. He could not but feel that Her Majesty's Government now was connected with this Tribute Loan by the language held by Her Majesty's Government in 1855. There was another point to which he desired to refer. His Lordship was, of course, better informed, but he had heard that the scheme for arrangement of Turkey with her creditors rested on Vizieriul notification, and that there was no *Irade* of the Sultan giving to the Decree that high sanction which was ordinarily the case in Turkey. Now, if that were so, any representation coming from Her Majesty's Ambassador would be given with greater facility, because the dignity of the Sultan would not be in any way compromised. Whether that were so or not, however, he could not but feel that representations made by Her Majesty's Ambassador—especially if they were made in conjunction with the French Minister at Constantinople—pointing out the injuries which would be done alike to British and Turkish interests, would meet with success, and therefore it was that he very respectfully urged upon his Lordship that the necessary instructions might be given to the English Ambassador.

Sir Philip Rose said, after the observations which had dropped from his Lordship, he wished to make a few remarks. He understood his Lordship that as to the guaranteed Loan of 1855, it was a mere question between the Governments of Turkey on the one hand and England and France on the other; but he thought his Lordship, on further consideration, would hardly support that view, as it would amount to this—that the Governments of England and France would have to connive with Turkey to the injury of the 1854 bondholder, and say to it—"Provided in some way or other you can arrange that our guarantee shall not become affected, we are indifferent to what you may do in this matter."

Lord Derby dissented.

Sir Philip Rose, continuing, said he rather gathered from his Lordship that it was a question not with the bondholder, but simply between the two Governments. Now, the position of the English Government was that of having guaranteed interest on the second mortgage of the Egyptian tribute—the first mortgage having been distinctly recognized in the second mortgage as a prior incumbrance—and the protection of the English and French Governments being the surplus which remained over and above the amount of the tribute appropriated to the first Loan. It was important that his Lordship should know what the practice had hitherto been. The tribute had been remitted, and continued to be remitted, by fortnightly instalments to the Bank of England. The coupons of the 1854 Loans were payable in April and October, and those of the 1855, or Guaranteed Loan, in February and August. The practice of the Bank had been to calculate the amount required for the half-yearly interest on the 1854 Loan, giving credit that the fortnightly instalments would continue to be remitted up to the end of the half-year; and to appropriate the surplus to the service of the Guarantee Loan. But they could hardly suppose the Bank of England would make any such anticipations in future, and the result would be, unless the Bank had in hand sufficient to pay the whole of the interest of the 1854 Loan falling due in April, that the interest on the Guaranteed Loan would not be paid out of the tribute, and the Governments of England and France would have to pay it. No interest on the second mortgage could be paid until the interest on the first had been satisfied, and if the Bank were willing so to apply any portion of the tribute, the bondholders of 1854, for whom the Bank of England were trustees, would go to the Court of Chancery to prevent any application of interest to the second mortgagees until the first had been satisfied. In the face of such a notice as had been issued at Constantinople—that the security given to the English and French Governments was to be diverted to other purposes—they thought they were entitled to ask his Lordship the course which the English Government intended to pursue. Did they intend to hold the Turkish Government to the performance of its obligations? If so, the whole of the tribute

must continue to be sent to the Bank of England, and the interest of the 1854 bondholders was secure. They thought they were entitled to ask the Government whether they intended to allow the Turkish Government to make away with their security. They asked further, that in communicating with the Turkish Government, the English Government would express an opinion that the Decree recently issued was not one which was likely to carry out the objects which the Turkish Government had in view. They believed that a much better arrangement could be made in the interests of Turkey and its creditors, and they were prepared to meet the Turkish Government in a fair and equitable spirit. Turkey admitted that she could pay 7,000,000*l.* for interest and sinking fund, and they believed an appropriation of this amount could be made which would save the credit of Turkey, meet the wishes of the bondholders, and, to a certain extent, have regard to existing hypothecations, and they should be prepared, if supported by the English Government, to send out to Constantinople some person of high standing and ability to enter into personal negotiations with the Turkish Government to that end.

Mr. Stainforth said the statements submitted to his Lordship in support of the loans secured on the apothecation of the Egyptian tribute constituted a case which, in the opinion of business men and lawyers, was absolutely unassailable. He would deal with the general question as to the special claims which the bondholders might have on Her Majesty's Government for strong moral support at Constantinople. He had heard the question discussed as to how far the Government could intervene. Now, the case they were laying before his Lordship was so strong that they believed the Government had no option but to support the bondholders in the strongest manner. Mr. Otway had read the declarations of eminent statesmen (Lords Palmerston and Clarendon) in reference to the Loan of 1854, and he would now call his Lordship's attention to the prospectus of the Loan of 1862, issued by Messrs. C. Devaux and Co. and the Ottoman Bank for eight millions. He found in that prospectus a letter from Lord Russell to Mr. Bruce, and it was not surreptitiously published, but was inserted by permission of Lord Russell, who was at that time Minister for Foreign Affairs. He then proceeded to read the letter, which was as follows :—

"Sir, "*Foreign Office, March* 15, 1862.

"When I had the pleasure of receiving you and Mr. G. G. Glyn at the Foreign Office a week ago, I informed you that if the Sultan's Commissioners or Agents in this country should be successful in obtaining a loan, Her Majesty's Government, anxious for the well-being and prosperity of Turkey, would be ready to send one or two gentlemen in whom they had confidence to assist the Sultan's Ministers in the due application of the proceeds of the loan to the extinction of the paper money and the funding of the floating debt. I stated that Her Majesty's Government would take an interest in this operation from their feelings of friendship towards Turkey. I said the contractors of the loan might see in such mission a further security against the misapplication of the present loan and the loss of credit which would ensue. I am happy to inform you that Lord Hobart has consented to proceed to Constantinople for six months for the purposes I have indicated.

"I am, &c.

(Signed) "Russell."

Previous also to the publication of the prospectus there was a debate in the House of Commons, in which Mr. Layard, the Under-Secretary for Foreign Affairs, expressed himself in a manner so hopeful as to the resources of Turkey, so confiding in its integrity, that the loan, which had been looked upon with so much disfavour that the contractors made it a condition of issuing it at the last moment that Lord Russell's letter should be inserted in the prospectus, was actually subscribed five times over. The mission of Lord Hobart and Mr. Foster to Constantinople, with the countenance of the Government and under their special sanction, caused another issue of eight millions in the following year to be fully subscribed by the public. He held that with such direct encouragement on the part of the Government of this country to the public to subscribe to these loans on political grounds, the Government could not now turn round and refuse its support in obtaining redress. Nor, he contended, should the statement pass without contradiction as to the so-called "usurious" interest of these loans. Such an argument would hold if the bondholders were not prepared to come to terms with the Turkish Government on the basis of reduction of interest. So soon as the Porte showed its inclination to act fairly by withdrawing their nefarious Decree, the bondholders would be prepared, in combination with the Porte, to consent to such a scheme as would give relief to the Porte, and justice to the bondholders. On these grounds they maintained that the moral influence of Her Majesty's Government

could not be withheld, and they had confidence that his Lordship would take that view in communicating with Her Majesty's Ambassador at Constantinople.

Mr. Palmer, in reply to a question from Lord Derby, said in dealing with the Loans of 1854 and 1855 they upset the principles of the Decree.

Some further conversation ensued between Lord Derby, Mr. Palmer, and Sir Philip Rose on various points; and Mr. Freshfield, in reply to an inquiry of Lord Derby's, read the following letter from Lord Granville to Musurus Pasha with reference to the loan of that year, in which the Loan of 1854 is specifically referred to :—

"M. l'Ambassadeur, "*Foreign Office, August* 7, 1871.

"With reference to the conversation which I had with your Excellency on the subject of the loan which you informed me your Government had contracted on favourable terms with some English capitalists, I have now the honour to acquaint your Excellency that I have been informed by the Lords Commissioners of Her Majesty's Treasury that as long as the Treasury priority of charges in connection with the Loans of 1854 and 1855 remain secure and valid, they have no objections to offer to the conditions of the new loan.

"I am, &c.

(Signed) "Granville."

Lord Derby then replied. He said,—I do not think you will expect any definite or final answer from me to day, because the questions you have raised are rather difficult and complicated. Some details have been brought before me of which I was not formerly aware, and I need not say that action in matters of this kind requires to be governed with the utmost caution on the one hand, and on the other hand there is nothing very urgent, I apprehend, in point of time, because I am afraid, whatever may be said or done, the position of Turkey at the present time is such that not very much can be expected. I need not remind you that the general, indeed the invariable, rule of late years by which the Government has been guided, is to abstain from official interference in the case of foreign loans. There have been very many cases where the Foreign Office has been appealed to—in the case of Spain, which repudiated the interest on its debt; the case of Greece, which has never paid anything from the foundation of the kingdom; and the case of various South American States, which in some cases have repudiated their debts, after paying interest for a year or two; and a great many cases of bankruptcy and repudiation have also been brought before this Office; but in all these cases our invariable rule has been to give moral and unofficial support where we thought it was merited or where we thought it would be useful, but to avoid committing ourselves to any official demand to anybody. That being our invariable rule, and, as I believe, accepted by public opinion, I need not take up your time by justifying the principle. I think the principle is a sound one, however, because if it were understood in this country that persons lending money to foreign States would be supported by the official assistance of their own Government, the obvious effect of that would be to enable the poorest States, and those which have the least credit, to get money on much better terms than they otherwise would. The question which arises here, is whether any peculiar or exceptional circumstances exist in regard to these Turkish loans. Now, no doubt we have guaranteed Turkey, but that does not constitute an exceptional circumstance, for we have done the same thing for Greece; we have fought for Turkey, but that cannot be looked to as forming an exceptional claim, for we have done the same thing for Spain, and possibly for other countries also. The question which really does create some difficulty in this case is the language which has been held by some of our public men in Parliament in connection with these loans, but I do not think it goes so far as a guarantee in any case. I have looked carefully to what has been said by Lords Palmerston, Clarendon, and Russell, and though I do not hesitate to say, with all deference to those eminent men, that I think in some cases they went farther in giving a moral support to the Government of Turkey as borrowers than was altogether expedient, yet I do not think they ever held language which would reasonably justify the expectation that the Government would interfere forcibly to compel the payment of any debt in case of default. I think it is to be lamented that in some of these debts the British Government took the part it did; at the same time, to put it at the highest, I think the part which the British Government took does not go further than to pledge those who now represent that Government to use such moral influence as they can bring to bear to secure its creditors. I, therefore, think that anything in the nature of an official demand must be thought unadvisable and contrary to our policy. I need not tell you that there is a strong sympathy on the part of the Government for the body whom you represent, and I am perfectly well aware that the action of the Turkish Government has inflicted very severe loss on many who could very ill bear it, and from no fault of their own; and we are

anxious to do whatever is reasonably possible to assist those who appeal to us on this subject. There are various questions in connexion with the Loans of 1854 and 1855 which will require careful examination, and I am not willing—nor, indeed, am I able—to give you a definite expression of opinion on them to-day. These questions will all be carefully considered. All I ask you to remember now is, that whatever is reasonably possible for you we will do, subject, however, to this—that whatever support we give must be unofficial, not official, in character.

The deputation then thanked his lordship and withdrew.

No. 74.

Sir H. Elliot to the Earl of Derby.—(Received November 7.)

(No. 700. Confidential.)

My Lord, *Therapia, October 23, 1875.*

IN speaking yesterday afternoon with the Grand Vizier upon the financial situation, I observed that the late repudiation had produced such a feeling of distrust that he ought, if possible, to devise means of satisfying the bondholders that the measure, which was already so ruinous, should not be repeated.

His Highness said that he was ready to take the most solemn engagement to that effect.

I replied that, without implying any doubt upon his own assurances, what was required was an engagement which should be equally binding upon his successors.

After some further conversation, in which I represented that it was as much for the interest of the Porte as the bondholders that the credit of Turkey would be restored, he stated that he would engage that an Imperial Iradé should be given, guaranteeing the bondholders against further reduction in the interest of the Public Debt, and that this Iradé should be officially communicated to the Embassies.

I asked whether, after so communicating the Iradé, he intended that the engagement taken by it should assume an international character, and be regarded as one taken by the Porte, not towards the bondholders only, but towards their Governments.

This, he said, was precisely his meaning, as he wished to render it impossible for any future Administration to break the pledge he was giving.

He authorized me to look upon the above assurance as officially made to me, but as confidential till the Sultan's Iradé is obtained.

I have, &c.
(Signed) HENRY ELLIOT.

No. 75.

Sir H. Elliot to the Earl of Derby.—(Received November 7.)

(No. 709.)

My Lord, *Therapia, October 27, 1875.*

I HAVE the honour to inclose a further Memorandum issued by the Porte upon the late financial measure.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 75.

Memorandum addressed by the Sublime Porte to Turkish Representatives abroad, dated October 20, 1875.

LES mesures financières qui viennent d'être édictées par la Sublime Porte étaient commandées par l'impérieuse nécessité de mettre un terme au système des emprunts onéreux et périodiques destinés à combler les déficits budgétaires : système qui, s'il était continué quelque temps encore, aurait amené inévitablement la ruine de l'Etat et celle de ses créanciers. La Sublime Porte, pour conjurer ce péril évident et certain, se trouvait en présence de deux problèmes à résoudre. Le premier était d'arriver à établir l'équilibre entre ses recettes et ses dépenses ; le second, d'éteindre le déficit actuel et de combler les

No. 73*.

The Earl of Derby to Sir H. Elliot.

(No. 385.)

Sir, *Foreign Office, November 6, 1875.*

I INCLOSE, for your Excellency's information, an extract from the "Times" of this day containing an account of an interview which I held yesterday with a Deputation of the bondholders of the Ottoman Loans of 1854, 1858, and 1871.

The report appears to me to be generally correct, but I observe that no mention is made of my having pointed out that the remission of the Egyptian Tribute to the Bank of England in payment of the interest on the guaranteed loan, although arranged between the Governments concerned, of 1855, was not a Treaty engagement, the Treaty of June 27, 1855, having provided, in the 3rd Article, that,—

"The interest and sinking fund of the said loan shall form a charge on the whole revenues of the Ottoman Empire, and specially on the annual amount of the tribute of Egypt which remains over and above the part thereof appropriated to the first loan, and moreover on the Customs of Smyrna and Syria.

"His Imperial Majesty the Sultan engages that he will cause to be remitted to the Bank of England, on or before the 25th of June and 25th of December in each year, the full amount of one half-year's interest and sinking fund on the whole amount of the said loan to be raised under the conjoint guarantee of Her Britannic Majesty and of His Majesty the Emperor of the French, or so much thereof as may be raised, until the whole capital borrowed shall be repaid."

I am, &c.
(Signed) DERBY.

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déficits qui devaient encore se produire dans les années suivantes, jusqu'à ce que les mesures adoptées pour équilibrer le budget aient produit tout leur effet.

La première partie de ce programme déjà en voie d'exécution doit être accomplie en peu d'années par le développement des ressources du pays, par les réformes à introduire dans les diverses branches de l'Administration en vue surtout du progrès de l'agriculture, par la transformation de certaines contributions, par l'augmentation constante des revenus de l'Etat, conséquences naturelles de l'accroissement du bien-être des populations agricoles, enfin par un contrôle plus attentif et plus efficace de l'administration financière. Mais ce résultat serait illusoire, si, dans cinq années, époque où la balance exacte entre les recettes et les dépenses sera obtenue, le Gouvernement Impérial se trouvait en présence d'un arriéré composé du déficit actuel et des déficits qui doivent se produire encore durant cette période de restauration financière ; c'est-à-dire, si la seconde partie du programme restait sans solution.

Dans cette situation, la Sublime Porte, répudiant l'expédient des emprunts temporaires ou à long terme, qui, loin d'éteindre sa dette, aurait pour effet de la doubler en moins de cinq années ; repoussant également la ressource extrême de la réduction de la rente, qui, dans la mesure où elle aurait dû être opérée, eût constitué une perte définitive pour ses créanciers, rejetant enfin toute combinaison d'impôts extraordinaires, qui aurait tari les sources les plus fécondes de la richesse nationale, a résolu de demander à ses créanciers eux-mêmes, c'est-a-dire à la partie la plus intéressée, les moyens de restaurer les finances de l'Empire.

Le sacrifice que le Gouvernement Impérial leur impose consiste simplement à prêter à leur débiteur, à un intérêt avantageux, une partie, soit la moitie de la somme qui doit leur être payée annuellement, sous forme d'intérêts et d'amortissement et cela durant une période de cinq années seulement. Le montant du prêt sera représenté par un titre portant intérêts à raison de 5 pour cent l'an.

Le paiement de la première moitié, payable intégralement en espèces, et le service des intérêts attachés aux titres représentatifs de la seconde moitié, également payable en espèces, seront assurés au moyen de revenus spéciaux, qui seront consignés entre les mains de syndics sous la surveillance et avec la coopération de la Banque Impériale Ottomane.

Si, à l'expiration de ces cinq années, le 5 pour cent en question n'était pas remboursé, il y aurait prolongation de délai, aux mêmes conditions d'intérêt, c'est-à-dire, à raison de 5 pour cent de l'an, jusqu'au jour de l'extinction de celui des emprunts extérieurs dont le terme est le plus prochain, et les revenus affectés à cet emprunt, devenus libres, seraient consacrés à l'amortissement de ces titres.

En dehors des dispositions précises qui viennent d'être rappelées, il n'est porté aucune atteinte aux engagements du Gouvernement Impérial envers les tiers. Les droits et privilèges concédés à la Banque Impériale Ottomane, en retour de ses propres obligations, seront respectés, et les opérations nécessaires à la mise à exécution des mesures financières actuelles seront concertées avec cet établissement et exécutées avec son concours dans toutes les circonstances où ses services doivent être utilisés.

Par cette combinaison, la seconde partie du problème qui s'imposait à la sollicitude, à la prévoyance, et à la loyauté du Gouvernement Impérial, se trouve accomplie, non au moyen de réductions arbitraires infligeant aux détenteurs de fonds Ottomans une perte définitive, non au moyen d'un impôt permanent sur la rente déguisant une réduction effective, mais au moyen d'un simple ajournement.

Le sacrifice momentané qui est imposé aux créanciers de l'Etat, devenus prêteurs de la moitié des sommes qui doivent leur être payées annuellement durant cinq ans, est largement compensé par la certitude qu'ils acquièrent du paiement régulier de la seconde moitié et de l'établissement prochain de l'équilibre budgétaire, seul gage véritablement sérieux et incontestable de la fidèle exécution des engagements financiers d'un Gouvernement.

La Sublime Porte retire de cette mesure loyalement conçue, et qui sera loyalement exécutée, des avantages non moins sensibles et non moins évidents, puisqu'elle conjure le danger, chaque jour plus imminent, d'une suspension forcée de l'exécution de ses engagements, en se procurant, sans frais et sans intermédiaires, près de ses créanciers eux-mêmes, c'est-à-dire, de ceux qui sont les plus intéressés au salut des finances, une somme de 35,000,000 de livres Turques, à des conditions d'intérêt et de remboursement exceptionnellement favorables, et telles que le travail de l'équilibre budgétaire ne peut en être ni entravé ni ralenti.

Le Gouvernement Impérial, ainsi délivré de toute préoccupation financière, et enfin déchargé du lourd fardeau qui lui imposait annuellement le système des emprunts successifs, pourra donner tous ses soins et consacrer toutes ses forces aux réformes administratives et au développement de l'agriculture, du commerce, et d'industrie de l'Empire.

No. 76.

Sir H. Elliot to the Earl of Derby.—(*Received November* 7.)

(No. 721.)

My Lord, *Therapia, October* 28, 1875.

I HAVE the honour to forward to your Lordship, under flying seal, a letter which I have addressed to Mr. Hyde Clarke, the Secretary of the Council of Foreign Bondholders, in reply to a letter, of which the copy is inclosed, relative to the reduction of the interest upon the Turkish Public Debt.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 76.

Mr. Hyde Clark to Sir H. Elliot.

Council of Foreign Bondholders, 10, *Moorgate Street, London,*
October 9, 1875.

Excellency,

THE receipt in London of telegrams announcing ambiguous measures with regard to the Public Debt, have been received with deep concern by the holders of the 1858 and 1862 Loans.

Already many of their influential constituents have called upon the Joint Commissions for the 1858 and 1862 Loans to execute the functions devolving upon them in pursuance of the Convention between the Ottoman Government and the bondholders.

These loans, as your Excellency is well aware, have been raised under exceptional stipulations, under which the Government has voluntarily and publicly acknowledged the right of the bondholders, in case of any infringement, to enter on the receipt of the revenues pledged for their fulfilment and to put the Syndicates in operation.

The rights acquired by the holders of the 1858 and 1862 Loans under the respective Conventions the Joint Commissions are instructed to maintain, and I have the honour to request that your Excellency will kindly use the means in your power to protect the rights of the anxious bondholders.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

Inclosure 2 in No. 76.

Sir H. Elliot to Mr. Hyde Clarke.

Sir, *Therapia, October* 28, 1875.

I HAVE to acknowledge the receipt of your letter of the 9th instant, respecting the measures adopted by the Porte in regard to the Public Debt of Turkey.

Upon being made acquainted with these measures I pointed out to the Turkish Government that certain specified sources of revenue were assigned as guarantees for some of the foreign loans, but I cannot take any official steps in regard to them without instructions from Her Majesty's Government.

I have, &c.
(Signed) HENRY ELLIOT.

No. 77.

Mr. W. Smith to the Earl of Derby.—(*Received November* 8.)

My Lord, *London, November* 6, 1875.

I TRUST your Lordship will not think too much liberty has been taken in addressing these few, but sad, sentiments.

I noticed in to-day's (Saturday) "Standard" that a deputation of Turkish bondholders waited upon your Lordship on Friday, for the long-desired interview and assistance of your Lordship's co-operation with the Turkish bondholders of the various guaranteed loans. After thirty years' toil and hard work, I unfortunately invested all my savings (over

3,000*l.*) in the Turkish loan of 1862, and many other friends and relations invested larger and smaller amounts in the same loan.

I beg to call your Lordship's attention to the very fact, when that loan was first issued, every encouragement was given to the public in England, as being a sure and safe investment; it was stated to be as good as guaranteed Government property.

Certain revenues from the customs, such as on salt, tobacco, &c., were specially mentioned and put aside as a guarantee to meet the dividends of the 1862 Loan. The revenues from this source alone were more than double to meet the 1862 dividends. In fact, the (London Exchange) city merchants and brokers generally looked upon the loan as safe and sound property for investment, and that being the general opinion, I was induced to part with my hard earnings. Why should we be robbed by a Monarch like the Sultan of Turkey, whose country is full of riches, if properly developed? We all know your Lordship has great influence and mighty power abroad, and we hope and trust your Lordship feels for us and our ruinous position.

A married man like myself, wife and large family, and being almost blind through natural causes, to have the bread snatched away from us by Turks, is most piteous to witness. Several with whom I am connected are sufferers, and are most destitute. Not being in a position to assist, we have to appeal to the kind feelings and charity of our neighbours for assistance.

I draw your Lordship's attention to that horrible Crimean War, when our brothers and relations suffered death to protect the Turkish Empire. Are we to fight for that man of no principle, the Sultan of Turkey?

I believe the English Government has entered into a Treaty to protect Turkey in case of war. I fully am of opinion, as well as many thousands concerned, that the bondholders have a right to ask the Government to intercede on their behalf. Matters look very gloomy in the East, and England might be called upon, sooner or later, to hasten troops to that land where our monies have gone, which would make affairs more distracted than ever.

We hope and trust your Lordship will investigate, with the same partiality, the particulars of the 1862 Loan, and endeavour to bring the Sultan of Turkey to his right senses.

Your Lordship has the unlimited power to act and carry out matters, in which the bondholders and country generally have every confidence in your Lordship's directions, sound and honest judgment. Trusting your Lordship will try to protect us from utter ruin, I remain, &c.

(Signed) WILLIAM SMITH.

No. 78.

Mr. Franklin to the Earl of Derby.—(*Received November* 8.)

My Lord, *Old Steine, Brighton, November* 7, 1875.

ATTENTION has been directed to observations made at an audience accorded by your Lordship on the 5th instant, to representatives of a section of Turkish bondholders, and I beg leave to ask for an early intimation of whether your Lordship considers it requisite or expedient that a like audience be accorded to accredited representatives of bondholders of the 1862 Loan specifically.

In my letter of 24th October last was indicated the anomalous position of *bond fide* subscribers to that loan denied the usual facilities for recognizing each other. Since then sundry miscellaneous assemblages under tutelage of the Council of Foreign Bondholders, open indiscriminately to influences adverse to priority of hypothecations, have pretended to nominate representatives of special interests, which interests have heretofore been damnified by like pretensions. A protest against such pretensions was addressed to the parties so nominated, under date of 3rd November instant, and your Lordship is relied upon for requiring production of that protest if asked to receive those parties as representatives of the interests heretofore left to my advocacy.

In case that an audience be not required, those on whose behalf I have acted hitherto remain content to hope and expect that Her Majesty's Government will exercise such necessary and legitimate influence as may promote just and impartial administration of Turkish revenues pledged with immediate privity of Her Majesty's Government to those induced thereby to sustain with their funds the interests of Great Britain in the Ottoman Empire. As already intimated, the assignees of those revenues, if appealed to by proper

agents, will entertain reasonable propositions, but they cannot be expected to submit to confiscation of their legal and equitable rights under dictations of the financial manipulators who, after betrayal of the Porte with its present difficulties, claim now to be absolute masters of its resources.

By way of illustrating the damages of the situation let it be supposed:—

That the Ottoman Bank, or some other organization, become custodian of the bonds of the 30,000,000*l.* stock just created.

That allies of that Bank in Stock Exchanges and in Councils of Bondholders procure negotiability for such bonds.

That unissued batches of the bonds can be held in lieu for balances claimable from the Porte, or for traffic in cheapened debts of the Porte, capable of being dealt with preferentially.

That Turkish revenues, whether or not assigned for ample consideration, remain subject to be intercepted for service of bonds of the latest issue on usurious terms; and,

That the market can be fed with bonds so pawned and bolstered in price by misappropriate assignments.

If the useful investigations of the House of Commons Committee on Foreign Loans be extended to transactions of the nature thus illustrated, the gambling which corrupts society and ruins families might be exposed and thereby checked.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 79.

Mr. Murray to the Earl of Derby.—(Received November 8.)

Rolls Yard, Chancery Lane, November 8, 1875.

My Lord,

AS a holder of bonds of the Turkish Loan of 1862, I venture to draw your Lordship's attention to a point which I think was not mentioned by the deputation whom your Lordship received the other day.

At the time of the issue of the loans of 1854, 1858, 1862, and 1863, the Porte was free from debt (except the guaranteed loan of 1855), and she had full power to place (as she did place) the holders of the bonds of those loans in the position of first mortgagees of certain specified revenues.

Then came the general debt of 1865, a charge of course on all the revenues of the Empire, subject to existing mortgages, and subsequently the loans of 1865, 1869, 1871, 1872, and 1873, purporting to be a charge on specific revenues.

It seems to me that these latter loans stand in a very different position from the former, and that the interposition of the general debt makes all the difference between the two classes.

If Turkey were an insolvent estate in liquidation, the receiver would have to apply the revenues assigned to the earlier loans to that specific service, just as a first mortgagee would get paid out of his security before general creditors; but the loans after 1856 would have to share rateably with the holders of the general debt.

To say that the holders of the general debt can be shut out by the later loans, would be equivalent to saying that our Government could raise a loan on the special security of the Excise or Customs duties to the prejudice of the holders of consols.

I say nothing as to the peculiar way in which the 1862 Loan was issued to the public; but I may add that the loans prior to the general debt have always been outside the range of Stock Exchange speculations, and are *bond fide* held by investors, whereas the later loans have been the mark for all the gamblers in Europe.

I leave it for your Lordship's consideration whether in any friendly representations to the Porte a line should not be drawn at 1865, and the difference between the two classes of loans pointed out. I believe the earlier loans are almost wholly held here, the later all over Europe.

I cannot see how the 1871 Loan is in a better position than the 1869 or 1873. When the Egyptian tribute was increased, the increase became part of the general revenue of the Empire, and could not be made the subject of a specific charge to the prejudice of the general debt.

I have, &c.
(Signed) ARCHIBALD MURRAY.

No. 80.

Mrs. Mockler to the Earl of Derby.—(Received November 9.)

2, Grendon Villas, Teignmouth, South Devon, November 8, 1875.

My Lord,

I TRUST that you will kindly read the inclosed copy of the letter I wrote to the Turkish Ambassador, and I think on reading it you will acquit me of any wish to intrude my affairs on your notice without sufficient reason.

My husband, the late Lieutenant-Colonel Mockler, served his country for thirty years, a brave and gallant officer, whom the Duke of Cambridge has twice publicly thanked for his services on the Gold Coast, and from the effects of which deadly climate he died last year, leaving me with four little children. By the sale of his commission as Lieutenant-Colonel (4,500*l.*), I invested my little all in the Turkish Loan of 1854, and were I now to sell out, I should lose half of the patrimony left to my fatherless children; they have no pension.

May the cause of the widow and the fatherless plead before you, my Lord? I feel sure that I shall not appeal in vain.

In my interview with the Turkish Ambassador, which he kindly granted in reply to my letter, he suggested that I should see you, as he informed me that the Loan of 1854 was an exceptionable one; had it not been looked upon as such, I should not have risked my little all in that security. And it is a hard and cruel case that, after thirty years spent in Her Majesty's service, the children of so gallant and brave an officer should be, my Lord, reduced to penury. I therefore humbly hope that you will kindly grant me an interview that may lead me to hope that something may be done for the holders of the Loans of 1854.

My Lord, time is very precious to me, and on your reply I must decide whether to sacrifice my poor little ones' small capital or to wait for a better opportunity. Trusting, therefore, that your Lordship will favour me with an early reply, I am, &c.,
(Signed) CLARA ISBELLA MOCKLER.

Inclosure in No. 80.

Mrs. Mockler to Musurus Pasha.

2, Grendon Villas, Teignmouth, South Devon, October 14, 1875.

Your Excellency,

I FEEL sure that, having read this appeal, you will acquit me of any wish to intrude my affairs upon your notice without sufficient reason, for I cannot think that of the thousands who have suffered so fearfully by this most unlooked-for decision of the Turkish Government, as to the settlement of their liabilities, no one can surpass, or perhaps equal, the hardships of my own.

The widow of a Lieutenant-Colonel in Her Majesty's service, who had passed thirty years of his life in the West Indies and on the Coast of Africa, where he commanded a Colonial corps, and from the effects of which climate he died last year, leaving me with four young children, I invested my little all in the Six per Cent. Turkish Loan of 1854, a Loan which, in the opinion of men of business in this country, had been looked upon as little inferior, if at all, in stability with our own Government loans, and no pledge of its security can be more solemn than the wording of its bonds.

Had it been looked upon as a speculative investment, I could have no claims upon the notice of your Government, but must have been content to take my fortune with my fellow sufferers; but such speculation could not be charged against the holders of the above-mentioned bonds.

The main cause of our fancied security was that the tribute money from Egypt to the Sultan of the Imperial Ottoman Empire is given up to this country as a pledge of that security, and paid into the Bank of England; the recent edict, however, of that Empire classes all their loans in the same category for adjustment. Might I, therefore, humbly receive from your Excellency some assurance, if in your power, that modifications may take place in the classification of the disposal of the several loans, when I cannot doubt that special consideration will be shown to the holders of the bonds in which I am interested; for were I to dispose of them, more than a quarter of the patrimony left to my fatherless children will be entirely lost to them.

I remain, &c.
(Signed) CLARA ISABELLA MOCKLER.

No. 81.

Mr. W. H. Clark to the Earl of Derby.—(Received November 9.)

My Lord, *6, Leinster Gardens, Hyde Park, November 8, 1875.*

YOU will not, I trust, deem me intrusive or impertinent if, interested in the Turkish Loan of 1854, I venture to remark that its bondholders do not ask for succour from Her Majesty's Government on the grounds that it is one of the guarantees of Turkish independence, that England has fought for Turkey, or because of any speeches delivered in Parliament by Lords Palmerston, Clarendon, and Russell, even when they were Ministers of the Crown.

They claim succour on the ground that the Queen's Government in its corporate capacity, and with a view to providing Turkey with money to carry on the then war, formally and officially promoted, encouraged, and incited subscriptions to the Loan of 1854, by the formal statement of 15th August, 1854, bearing the signature of the Earl of Clarendon, Secretary of State for Foreign Affairs, and by the notification founded on that statement, which, with sanction and knowledge of the Queen's Government, was made part and parcel of the prospectus of the Loan, and which bears date 16th August, 1854. Without this encouragement of Her Majesty's Government, it is notorious the Loan (for which proposals were opened in August 1854) would not have been realized. And it is to be observed that proposals issued in March 1854, by the powerful house of Rothschild, for a Loan of 2,200,000*l.*, had to be withdrawn, because, wanting such official support from Her Majesty's Government, it failed to incite subscriptions.

I humbly submit, then, to your Lordship, that in replying, as reported in the "Times" of 6th November, to the deputation of bondholders, you were under some error in stating the grounds for the present request of the holders of the Loan of 1854, and as that error is reproduced by the press, it is the more important that it should be at once brought, as I presume to do, under your Lordship's notice.

I have, &c.
(Signed) W. H. CLARK.

No. 82.

Lord Tenterden to Mr. Murray.

Sir, *Foreign Office, November 10, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 8th instant, upon the subject of the Ottoman Loan of 1862.

I am, &c.
(Signed) TENTERDEN.

No. 83.

Lord Tenterden to Mr. W. Smith.

Sir, *Foreign Office, November 10, 1875.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 6th instant, upon the subject of the Ottoman Loan of 1862.

I am, &c.
(Signed) TENTERDEN.

No. 84.

Lord Tenterden to Mr. Franklin.

Sir, *Foreign Office, November 10, 1875.*

I AM directed by the Earl of Derby to state to you, in reply to your letter of the 7th instant, that his Lordship does not consider that an interview with you in support of the Ottoman bondholders of 1862 is necessary, but he will be glad to consider anything you may have to state in writing.

I am, &c.
(Signed) TENTERDEN.

No. 85.

The Duc Decazes to the Marquis d'Harcourt.—(Communicated to the Earl of Derby by the Marquis d'Harcourt, November 25.)

M. le Marquis, *Paris, le 11 Novembre, 1875.*

LE langage que Lord Derby vous a tenu dans votre dernier entretien avec lui sur les finances de la Turquie me prouve que nous sommes aujourd'hui bien prêts de nous entendre touchant la conduite à suivre pour protéger, autant qu'il est possible, les intérêts compromis.

Je comprends la doctrine générale du Principal Secrétaire d'Etat en matière d'emprunts étrangers et je m'y associe pleinement. Les Gouvernements doivent laisser à leurs nationaux toute la responsabilité d'opérations de ce genre et, comme je l'ai dit dès le début, en principe ils n'ont pas plus à s'immiscer dans les affaires financières que dans les spéculations de commerce. Cependant on ne saurait faire abstraction complète des contrats intervenus qui se trouvent violés dans le cas présent et pour lesquels aucun recours judiciaire ne reste ouvert aux intéressés. Il faut tenir compte aussi de l'étendue des pertes éprouvées qui fait, pour plusieurs pays, du dommage causé aux créanciers de la Porte un dommage public. Des considérations de politique et d'équité justifieraient donc au besoin la sollicitude que nous montrons pour les capitaux que la France, l'Angleterre, l'Italie, et l'Autriche elle-même ont engagés dans les emprunts Ottomans.

A un point de vue encore plus élevé, ne pourrait-on pas dire que le service rendu à nos nationaux sera en même temps un service rendu aux intérêts généraux de la Porte? Et si nous parvenons, par notre intervention officieuse ou officielle, à empêcher une catastrophe dernière des finances Ottomanes, n'aurons-nous pas contribué à écarter une crise bien plus redoutable encore que ne l'est celle dont nous venons d'être témoins, pour la paix de l'Orient?

Lord Derby a reconnu avec vous que si les Délégués des porteurs de titres des différents emprunts se mettaient d'accord, il y aurait lieu de leur prêter "un puissant appui" à Constantinople, et il a bien voulu vous dire qu'il avait appris de Sir H. Elliot, comme nous le savions déjà, que la Porte était disposée à accepter la garantie qui serait donnée par les Puissances à ses engagements envers ses créanciers; mais il vous a témoigné le désir de savoir comment je comprenais cette garantie, et il s'est demandé de quelle manière, après l'avoir accordée, nous pourrions la faire valoir, le cas échéant.

Je crois, M. le Marquis, que sans engager notre responsabilité au delà de ce que nous voulons, l'Angleterre et nous, nous pouvons faire une œuvre utile. Avant tout, ainsi que je vous l'ai précédemment déclaré, et sur ce point nous sommes d'accord avec le Gouvernement Anglais, nous tenons pour indispensable que les porteurs de titres s'entendent entre eux préalablement afin de constituer à Constantinople la représentation de leurs intérêts et qu'ils conviennent avec la Porte de la formation d'un Syndicat chargé de surveiller la perception et l'emploi des revenus qui sont ou pourront être affectés en garantie. Nous sommes décidés à attendre le résultat des négociations qui auront lieu à cet effet avant de faire aucune démarche officielle à Constantinople; mais aussitôt que cet accord sera établi et libellé, mon avis serait que les Puissances intervinssent pour en prendre acte. Vous savez que le Baron Jomini avait déjà laissé entendre à notre Chargé d'Affaires, M. de Laboulaye, que la Russie ne refuserait pas de s'associer à une Commission de cette nature, et je viens de recevoir par l'entremise de M. Okouneff la confirmation des dispositions du Cabinet de St. Pétersbourg. La combination dont il s'agit aurait donc l'avantage de nous assurer le concours de celle de toutes les Puissances qui paraissait dans l'origine la plus portée à se désintéresser de cette question et conséquemment sans doute celui de toutes les autres. Tel serait le caractère de la garantie que nous désirons assurer aux créanciers de la Turquie.

Certainement ceux-ci ne seraient pas, par ce seul fait, à l'abri de nouvelles épreuves. Il n'est pas douteux cependant que le Gouvernement Ottoman, sachant qu'il s'exposerait aux représentations des Puissances, en retombant dans les fautes et les abus qui l'ont amené où il en est aujourd'hui, apporterait plus de soin à les éviter, et, d'un autre côté, nous aurions, dans l'éventualité d'une crise nouvelle, une autorité que nous n'avons pas aujourd'hui pour prévenir des résolutions précipitées pareilles à celles qui ont imposé aux porteurs des titres de la dette Ottomane des arrangements qui n'avaient pu être discutés avec eux.

Je vous prie de donner ces explications à Lord Derby. Je me plais à espérer qu'elles achèveront de porter la conviction dans son esprit et que nous obtiendrons son assentiment à un plan de conduite qui n'impose aux Gouvernements aucune obligation onéreuse pour leur responsabilité et qui peut avoir des effets vraiment utiles pour les intérêts auxquels

les plus sérieuses considérations d'ordre politique et d'ordre moral les invitent d'accorder leur appui.

Agréez, &c.
(Signé) DECAZES.

No. 86.

Lord Tenterden to Mrs. Mockler.

Madam, *Foreign Office, November* 12, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 8th instant, upon the subject of the Ottoman Loan of 1854, and I am to express to you his Lordship's regret that he cannot assist, or give personal interviews to, individual holders of bonds.

I am at the same time to remind you that Lord Derby has already received a deputation in support of the bondholders of 1854.

I am, &c.
(Signed) TENTERDEN.

No. 87.

Lord Tenterden to Mr. Clark.

Sir, *Foreign Office, November* 12, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 8th instant, upon the subject of the Ottoman Loan of 1854.

I am, &c.
(Signed) TENTERDEN.

No. 88.

Sir H. Elliot to the Earl of Derby.—(*Received November* 13.)

(No. 722.)
My Lord, *Therapia, November* 4, 1875.

I HAVE the honour to inclose the copy of a note from Safvet Pasha, transmitting the text of a law which has been promulgated for the creation of "titres" for 35,000,000*l.* Turkish, in execution of the financial measure just adopted by the Porte.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 88.

Safvet Pasha to Sir H. Elliot.

M. l'Ambassadeur, *Sublime Porte, le* 31 *Octobre*, 1875.

J'AI l'honneur de transmettre ci-joint à votre Excellence une copie de la Loi qui vient d'être promulguée pour la création de 35,000,000 de livres Turques de titres 5 pour cent en conformité des mesures financières décrétées le 6 Octobre, 1875.

Veuillez, &c.
(Signé) SAFVET.

Inclosure 2 in No. 88.

Law for the Creation of "Titres" for Thirty-five Millions of Turkish Pounds.

Article 1. IL est créé pour 35,000,000 de livres Turques de titres au porteur, jouissant d'un intérêt annuel de 5 pour cent, payable semestriellement en or à Constantinople et dans toutes les villes où se fait le service de la Dette Générale 5 pour cent.

Art. 2. Les titres 5 pour cent ainsi créés seront remboursés au pair et en or, au moyen d'un amortissement annuel de 1 pour cent qui doit fonctionner au plus tard, à partir du $\frac{1}{13}$ Janvier, 1887, et par voie de tirage au sort.

Art. 3. Les titres seront signés par le Ministre des Finances et revêtus du sceau de l'Etat. Ils seront, en outre, revêtus, au moment de leur emploi, du *visa* de l'un des Syndics délégué à cet effet, ou de la Banque Impériale Ottomane. Ils seront libellés en Turc, en Anglais et en Français. Ils seront reçus dans les caisses de l'Etat ou des administrations publiques comme cautionnement ou garantie, au même titre que la Dette Générale 5 pour cent et les obligations des emprunts extérieurs.

Art. 4. Les 35,000,000 de livres Turques de titres 5 pour cent seront divisés en cinq séries de 7,000,000 de livres Turques chacune, correspondant à chacune des cinq années durant lesquelles le service des intérêts et de l'amortissement des dettes intérieures et extérieures doit être effectué, conformément aux mesures décrétées. En conséquence, les titres de chaque série seront, au commencement de chaque année, revêtus du *visa* mentionné dans l'Article précédent et seront délivrés en paiement de la moitié du coupon et du montant de titres amortis des dettes intérieures et extérieures. Chacune des cinq séries sera elle-même subdivisée en deux fractions, dont l'une portera intérêt à partir du $\frac{1}{13}$ Janvier et l'autre à partir du $\frac{1}{13}$ Juillet.

Art. 5. Le $\frac{1}{13}$ Janvier, 1881, époque où sera repris le service exclusivement en espèces des dettes intérieures et extérieures, le nombre de titres émis de chaque série durant les cinq années écoulées sera vérifié et définitivement arrêté, et les titres qui n'auraient point été employés resteront à la souche et ne pourront être émis.

Art. 6. La contexture, le libellé, le montant et les autres conditions de la création et de la délivrance des titres 5 pour cent seront arrêtés par le Ministère des Finances.

Art. 7. Le service des intérêts sur les titres créés par la présente Loi sera assuré par les mêmes garanties que celles affectées au service de la moitié payable en espèces de l'intérêt et de l'amortissement des dettes intérieures et extérieures et placé sur le même contrôle.

Constantinople, le 30 *Ramazan*, 1292 (30 *Octobre*, 1875).

No. 89.

Lord Lyons to the Earl of Derby.—(*Received November* 13.)

(No. 918.)
My Lord, *Paris, November* 12, 1875.

THE Duc Decazes said to me this morning that he had been asked to state explicitly his opinion as to the course which foreign Governments should take with a view to benefiting the holders of Ottoman bonds. He proceeded to tell me that what he wished was that proper arrangements, by the assignment of securities, the establishment of syndicates, and so forth, should be made, and that these arrangements should be officially communicated by the Porte to the Powers by whom the Ottoman Empire was guaranteed. This official communication would, he conceived, give an international character to the arrangements, and confer upon the Powers a right to remonstrate if they were not observed. It would make it impossible for the Porte to shelter itself behind the allegation that its relations with its creditors were purely domestic affairs, with which foreign Governments had nothing to do.

The Duke said that he certainly thought that such an official communication would afford a security to the bondholders, but that he did not propose any more stringent measure.

I have, &c.
(Signed) LYONS.

No. 90.

Lord Lyons to the Earl of Derby.—(Received November 20.)

(No. 932.)
My Lord, *Paris, November 18, 1875.*

IN the course of a conversation which I had with the Duc Decazes yesterday, he said cursorily that, on the 14th instant, he had received Mr. Arthur Otway, formerly Under-Secretary of State for Foreign Affairs, who had come to speak to him on the subject of the Turkish loans.

I answered that I had myself seen Mr. Otway, and that he had told me that he had had the honour of an interview with his Excellency.

The Duke mentioned that he had repeated to Mr. Otway what he had so often said to me, namely, that he had no intention to act alone with regard to the interests of the holders of Turkish bonds, but that his desire was to treat the question in entire concert with Her Majesty's Government.

Having made this observation, the Duke passed on to other subjects.

I have, &c.
(Signed) LYONS.

No. 91.

Sir H. Elliot to the Earl of Derby.—(Received November 22.)

(No. 730.)
My Lord, *Therapia, November 6, 1875.*

THE Agent of the Council of Foreign Bondholders has several times called upon me in reference to the late financial measures.

His wish, apparently, was to move me to endeavour to induce the Porte to concert with the Council as to the mode of putting them into execution with the least injury to the interests and rights of the bondholders.

I remarked to him that, as the Council only represents the British bondholders, such a course would probably not be acceptable to those of other nations, and I was therefore, on the whole, inclined to think that the Porte was taking a preferable line in trying to let the Imperial Ottoman Bank arrange for the formation of the Syndicates, and for receivg through them the suggestions that might be made.

I have, &c.
(Signed) HENRY ELLIOT.

No. 92.

Mr. Redhouse to Lord Tenterden.—(Received November 24.)

(Private.)
Dear Lord Tenterden, 16, *Kilburn Priory, London, N.W., November 22, 1875.*

I NOW inclose a perfectly corrected copy of the paper I sent you a week ago. The principle is exactly the same, the details alone being now, I believe, entirely trustworthy.

So important does my plan appear to me, and so pressing is time ere the Ottoman Government must take action, that I have ventured to put the whole idea into Turkish in the shape of a letter addressed by myself to Rashid Pasha, the new minister of Foreign Affairs for his consideration.

Should Lord Derby deem it advisable, my letter can be sent to the Pasha through Sir H. Elliot, or through Musurus Pasha, officiously and confidentially in either case, as a project for consideration.

I imagine I have a plan in view to meet the difficulty of the Turkish Floating Debt also, connected with the non-emission of new bonds. It would triflingly modify the present plan. But I fear I may already have trespassed too much; and I will not enter on that subject, unless Lord Derby should desire to know my views.

I hope you have been able to glance over my political paper or pamphlet.

I remain, &c.
(Signed) J. W. REDHOUSE.

P.S.—I ought, perhaps, to say that, having attended, by invitation as a bondholder, the first meetings under the Council and Mr. Palmer, I am sending copies of my plan to them, and to Musurus Pasha, for their consideration.

J. W. R.

Inclosure 1 in No. 92.

Mr. Redhouse to Raschid Pasha.

(Translation.)
Excellency, *London, November 22, 1875.*

YOUR Excellency is already aware of my humble connection with, and sincere attachment to, the Imperial Ottoman Government from the times of the late Sultan Mahmoud.

In these latter days also, I have turned my faithful attention to the consideration of the political and financial difficulties in which the Imperial Government is involved; and I have imagined a plan for the advantageous arrangement of the six earlier loans, so as to show, on the one hand, a benefit of more than 4,000,000*l.* to the Imperial Exchequer, while gaining, on the other hand, the acquiescence of their bondholders, as follows:—

In the first place, it will be convenient to designate as "the earlier loans" those six Loans of 1854, 1855, 1858, 1860, 1862, and 1863, which were issued antecedently to the emission of the Consolidés of 1865; and as these loans were more advantageous than the later ones to the Ottoman Government, by yielding from 68 to 102 per cent., cash, on their nominal amounts, so also will it be all the more consonant with the dignity and equity of the Government, if they are taken into favourable consideration with a greater degree of kindness as far as may be found practicable.

So much so is this the case, that the Loan of 1855, being guaranteed by the Governments of England and France, is already specially excepted by the Ottoman Government, inasmuch as it has elected the measure of effecting no change in the mode of paying the instalments of interest and sinking fund of that loan.

But, since it is covenanted that the interest and sinking fund of that Loan of 1855 shall be paid with the residue of the Egyptian tribute remaining after the full satisfaction of the claims for interest and sinking fund of the Loan of 1854, together with certain other special appropriations, the bondholders of the 1854 Loan contend that until their claims are fully satisfied out of that Egyptian tribute, it will be contrary to justice and equity to make use of its residue for the settlement of the claims of the Loan of 1855.

For this reason, my aforesaid plan divides itself naturally into two branches, in both of which do I show a large benefit to the Ottoman Government, and a considerable advantage to the bondholders. I now proceed, therefore, to explain clearly how this is possible without calling on the Government to expend one farthing more than the sums pointed out in the plan put forward by itself:—

1. When deduction is made of the sums hitherto repaid annually out of the capitals of the several loans, we find that the 3,000,000 of 1854 have become reduced to 1,896,500; the 5,000,000 of 1855 to 3,815,200; the 5,000,000 of 1858 to 3,716,500; the 2,000,000 of 1860 to 1,550,000, or thereabouts; the 8,000,000 of 1862 to 4,915,900; and the 8,000,000 of 1863 to 5,083,400; that is to say, the total of 31,000,000 is reduced to the amount of 20,977,500.

2. The annual interest and sinking fund of the Loan of 1854 amounts to 210,000; those of 1855 to 250,000; of 1858 to 350,000; of 1860 to 140,000; of 1862 to 640,000; and of 1863 also to 640,000; that is, a total of 2,230,000, cash, has hitherto been appropriated to them. Wherefore, deducting the interest and sinking fund of the Loan of 1855, namely 250,000, from that amount, the remainder becomes 1,980,000, of which the half is 990,000. If to this we now add the 250,000 of the Loan of 1855, we have a total of 1,240,000 as the amount which the Government proposes to pay annually in cash for the next five years, besides the emission of new 5 per cent. bonds annually also for 990,000, the other half; that is, in five years' time a new bond debt of 4,950,000 will have been created in respect of these loans, and the interest thereon in the ten years that will elapse before their total extinction will amount to 1,237,500.

3. The bondholders of these loans, as of all the others, whether resident in Europe or in Turkey, are in the last resort, and, for the most part, of the class of the poor and indigent, of widows, orphans and the like. For which reason it is of far greater consequence to them in their need that the interests should be paid in full; while it is comparatively a matter of less moment that the repayment of their capital should be somewhat retarded. Led by this consideration, I have come to the conclusion that the bondholders will be more

willing to see the interest and sinking fund rolled together, and to receive during those five years, as is possible, an interest of 6 per cent. as hitherto without a sinking fund; or, an interest of 5½ per cent. with a sinking fund of ½ per cent., or even an interest of 5 per cent. with a sinking fund of 1 per cent. on the present reduced capital, by which means no necessity whatever would remain for the issue of new bonds, and the Government would effect thereby an economy to that amount.

4. The interest and sinking fund of the Loan of 1855 being then paid as hitherto in the sum of 250,000*l.* per annum, and an interest of 6 per cent. per annum on the present reduced capital of 17,162,300*l.* of the other five loans, which would amount to 1,029,738*l.*, would make an annual total of 1,279,738*l.*, and at first sight would appear to entail a small extra outlay on the Government of 39,738*l.* annually, or of 198,690*l.* in the five years. But as no interest would be required for the proposed new 5 per cent. bonds, no longer to be issued, the saving of their interest in five years would be 743,500*l.*; and deducting from this the afore-mentioned 198,690*l.*, a real cash profit results for the Government, in those five years, from this source of interest alone, of 544,910*l.*, and in ten years, of 1,038,810*l.*

5. Suppose, again, that on reconsideration it were elected to pay the entire interest and sinking fund of the Loan of 1854 also, as hitherto, then the total interests and sinking funds of the combined Loans of 1854 and 1855 would be 460,000*l.*, and those of the four others would be 915,948*l.*, together making 1,375,948*l.* This would be an apparent yearly outlay of 135,948*l.* in excess of the Government plan, or in five years of 679,740*l.* But, balancing this again with the saving to be effected of the interest of the proposed new bonds not issued, we have, it is clear, from this source in five years a loss of only 15,990*l.*, to become in ten years a net gain of 426,510*l.*

6. Since it is a self-evident fact that the sooner these debts can be paid off and extinguished the greater will be the advantage for the Ottoman Government, we perceive that if the above-mentioned cash savings of interest to be effected by the non-issue of the proposed new bonds be added by the Government to the sinking funds of the debts, it will advance and expedite that consummation, and still without entailing on the Government one farthing more outlay in cash than it has itself proposed; while by the present plan, it is clear that the Government can save itself from the necessity of issuing new bonds in respect of these six early loans.

To facilitate a study of the details of this suggestion, the accompanying tabular statement has been drawn up, and is herewith submitted to the consideration of your Excellency.

In this matter, as at all times, it is for Him to command, unto Whom all command pertains.

(Signed and sealed) J. W. REDHOUSE.

Inclosure 2 in No. 92.

SYNOPSIS of the Interests and Sinking Funds of the six earliest Ottoman Loans, of 1854, 1855, 1858, 1860, 1862, 1863; all issued previously to the Consolidés of 1865.

Date.	Nominal Amount.	Interest.	Sinking Fund.	Interest, 1876.	Sinking Fund, 1876.	Unpaid.
	£	Per cent.	Per cent.	£	£	£
1854	3,000,000	6	1	113,790	96,210	1,606,500
1855	5,000,000	4	1	152,608	97,392	3,815,200
1858	5,000,000	6	1	222,990	127,010	3,716,500
1860	2,000,000	6	1	93,000	47,000	1,550,000
1862	8,000,000	6	2	294,954	345,046	4,915,000
1863	8,000,000	6	2	305,004	334,996	5,083,400
Totals ..	31,000,000	..	..	1,182,346	1,047,654	20,977,500
Total annual payments, hitherto				2,230,000		

The Ottoman Government proposes to pay, for five years, the Loan of 1855 as hitherto; the others, one-half only in cash, half in new 5 per cent. bonds, redeemable in five years, thus:—

Date.	Nominal Amount.	Interest.	Sinking Fund.	Interest, 1876.	Sinking Fund, 1876.	Unpaid.
	£	Per cent.	Per cent.	£	£	£
1854 ..						
1858 ..	10,000,000	6	1	420,780	270,220	700,000
1860 ..						
1862 ..						
1863 ..	16,000,000	6	2	599,958	680,042	1,280,000
	26,000,000	..	..	1,020,738	950,262	1,980,000
					Half, cash ..	990,000
1855	5,000,000	4	1	152,608	97,392	250,000
Total ..	31,000,000					
		Proposed future cash payments ..			.. ..	1,240,000
		" " new bonds ..			.. ..	990,000
		Total annual payments, as above			.. ..	2,230,000

Meeting the Government plan, with a modified disposal of its proposed amounts of annual payments in cash, we might have—

(A.)—Interest at 6 per cent., without Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1855	152,608	97,392	As heretofore.
5 others ..	1,020,738	..	On unpaid capital.
Totals ..	1,182,346	97,392	= 1,279,738*l.*; or,

(B.)—Interest at 5 per cent., and 1 per cent. Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1855	152,608	97,392	
5 others ..	858,115	171,623	
Totals ..	1,010,723	269,015	= 1,279,738*l.*; or,

(C.)—Interest at 5½ per cent., and ½ per cent. Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1855	152,608	97,392	
5 others ..	943,926	85,812	
Totals ..	1,096,534	183,204	= 1,279,738*l.*

RESULT.

	£
The new plan requires, per annum, cash	1,279,738
Ottoman Government plan requires only	1,240,000
Apparent annual loss to Ottoman Government, cash	39,738
Ditto in five years	198,690
Interest on new bonds in ten years, cash, saved	1,237,500
Real gain to Government in ten years, cash	1,038,810

Besides 4,950,000*l.* economized through non-issue of new bonds during the five years; a total gain of nearly 6,000,000*l.* in all.

But, supposing the 1854 Loan should be paid also in full, as formerly, the Government plan would become—

	Interest.	Sinking Fund.	
	£	£	
1854-5.. ..	266,398	193,602	As heretofore.
4 others ..	457,974	427,026	Half cash.
Totals ..	724,372	620,628	= 1,345,000*l.*
Original plan	.. ..	.. ..	1,240,000
Annual excess	.. ..	.. ..	105,000

Differently disposed, as before, we might have, without this excess—

(A.)—Interest at 6 per cent., without Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1854-5.. ..	266,398	193,602	As heretofore.
4 others ..	915,948	..	On unpaid capital.
Totals ..	1,182,346	193,602	= 1,375,948*l.*; or,

(B.)—Interest at 5 per cent., and 1 per cent. Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1854-5.. ..	266,398	193,602	
4 others ..	763,290	152,658	
Totals ..	1,029,688	346,260	= 1,375,948*l.*; or.

(C.)—Interest at 5½ per cent., and ½ per cent. Sinking Fund.

	Interest.	Sinking Fund.	
	£	£	
1854-5.. ..	266,398	193,602	
4 others ..	839,619	76 329	
Totals ..	1,106,017	269,931	= 1,375,948*l.*

Result.

	£
This plan requires, per annum, cash	1,375,948
Original Ottoman plan requires only	1,240,000
Apparent annual loss to Ottoman Government, cash	135,948
Ditto in five years	679,740
Interest on new bonds in ten years, cash saved	1,106,250
Real gain to Government in ten years, cash	426,510

Besides 1,125,000*l.* economized through non-issue of new bonds during the five years; nearly 5,000,000*l.* total gain.

If an arrangement be carried out for the Ottoman Government to pay the savings shown here to the account of the sinking funds, it would have an appreciable effect in expediting the extinction of the debt; and still without its encumbering itself one penny beyond its own proposal. The sinking fund should be employed, by a Commission, to purchase bonds in the market, as far as possible. Should no bonds be offered, drawings could be resorted to, as at present; so also, for a deficiency of them. Accounts should be published once or twice a year by the Commission. Further details are needless here.

(Signed) J. W. REDHOUSE.

London, November 22, 1875.

No. 93.

Mr. Rogers to the Earl of Derby.—(*Received November 24.*)

31, Lennox Road, Finsbury Park, N., November 22, 1875.

My Lord,

I HAVE the honour to suggest, for your Lordship's consideration, whether both of the above troublesome questions may not advantageously be settled, so far as England is concerned, by England purchasing from Turkey one of the large islands near the eastern end of the Mediterranean; the purchase money being raised by a loan, the scrip of which should be offered to holders of Turkish bonds at the market value of their bonds, and these bonds to be handed by England to Turkey in payment of the purchase money at a fair market value.

In this way Turkey would be relieved of her debts, England would gain command of the Dardanelles and the Suez Canal (and might then leave the Eastern question alone), and Turkish bondholders would be satisfied.

Some preference might be offered to holders of Turkish bonds secured by the Egyptian tribute, so that England might get more influence in Egypt, and, indeed, she might thus be in some measure come to stand in the place of Turkey as Suzerain of Egypt.

I will only add that I never have held a shilling's worth of Turkish bonds.

I have, &c.

(Signed) GEORGE ROGERS.

No. 94.

Mr. Hyde Clarke to the Earl of Derby.—(*Received November 24.*)

Council of Foreign Bondholders, 10, Moorgate Street, London, E.C., November 22, 1875.

My Lord,

ON the 9th October, I had the honour to address your Lordship on the subject of the Decree issued by the Sublime Porte with regard to the Public Debt, in relation to the 1858 and 1862 Loans

I beg to submit herewith, for the information of your Lordship and of Her Majesty's Ambassador in Constantinople, four copies of the despatch of his Excellency Safvet Pasha, Minister for Foreign Affairs, under date 27th October, communicated to the Commissions through his Excellency Musurus Pasha, Ambassador of the Sublime Porte at this Court; and also of the reply of the Commissions under date 22nd November, addressed to His Highness the Grand Vizier.

I am instructed, at the same time, to request that your Lordship will have the kindness, unofficially, to call the attention of his Excellency Musurus Pasha to the request of the Commissions for the execution of Article IV of the two Conventions of 1873, negociated by his Excellency and by Etienne Musurus Bey, and ratified by the latter as Chargé d'Affaires.

In order to avoid delay, at a period when a Decree in contravention of the Conventions is proposed to be put into effect, I am instructed to request that your Lordship will also allow Her Majesty's Ambassador at Constantinople to ask from the Porte an answer on the same subject of Article IV of the Conventions.

Article IV of the 1858 Loan Convention is:—"IV. It is distinctly understood that if, for the convenience of all parties concerned, the bondholders agree to this arrangement, it is not any time to be considered as any supersession of the original provisions of their bond, and that in the event of any failure in carrying out the foregoing arrangements, a Commission, similar to that provided by General Bond dated 28th August, 1858, shall resume their active functions at Constantinople, in conjunction with two members representing the English bondholders, to be nominated by the Commission of Bondholders, and appointed by the Contractors of the Loan."

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

Inclosure 1 in No. 94.

Mr. Lander to the Committee of the Imperial Ottoman Loan of 1862.

Imperial Ottoman Bank, London Agency, 26, *Throgmorton Street*, E.C.,
London, November 8, 1875.

Gentlemen,

I AM instructed to send you the accompanying copy of a letter, with which we have this morning been favoured from his Excellency the Ottoman Ambassador here, and of the communication from his Excellency the Ottoman Minister of Foreign Affairs, to which it refers as having been sent in reply to a letter addressed to His Highness the Grand Vizier by Mr. Hyde Clarke, in the name of the bondholders of the 1858 and 1862 Loans.

I remain, &c.
(Signed) WM. LANDER, *Secretary*.

Inclosure 2 in No. 94.

Musurus Pasha to the Agency of the Imperial Ottoman Bank and Messrs. C. Devaux & Co.

Imperial Ottoman Embassy, London, November 6, 1875.

Gentlemen,

MR. HYDE CLARKE having addressed to His Highness the Grand Vizier a letter, dated the 8th ultimo, in the name of the bondholders of the 1858 and 1862 Loans, asking for explanations on the subject of the measure recently decreed by the Sublime Porte respecting the service of the Public Debt, I have received, with instructions to communicate it to you, the despatch from his Excellency Safvet Pasha, dated the 27th ultimo, of which I beg to send you the inclosed copy.

I have, &c.
(Signed) MUSURUS.

Inclosure 3 in No. 94.

Safvet Pasha to Musurus Pasha.

Sublime Porte, le 27 *Octobre*, 1875.

M. l'Ambassadeur,

J'AI l'honneur de vous transmettre, ci-joint, copie d'une lettre que M. Hyde Clarke a adressée à Son Altesse le Grand Vézir pour demander, au nom des porteurs des obligations des Emprunts de 1858 et de 1862, des explications au sujet de la mesure qui vient d'être décrétée par la Sublime Porte relativement au service de la Dette Publique.

Cette mesure, qui s'applique indistinctement à toutes les valeurs constituant la Dette Publique Ottomane, et qui n'a, d'ailleurs, qu'un caractère tout-à-fait temporaire, est destinée à mettre fin aux embarras et difficultés de toute sorte qui entravent périodiquement le fonctionnement régulier du service des finances de l'Empire, depuis plusieurs années.

Nul n'ignore que le Gouvernement Impérial s'est constamment efforcé jusqu'ici, même dans les circonstances les plus défavorables, de satisfaire à ses engagements en ce qui concerne notamment les Emprunts de 1858 et de 1862; les sacrifices onéreux qu'il s'est imposés à cet effet, presqu'à chaque échéance de coupon, en font foi. Récemment encore n'a-t-il pas eu toutes les peines du monde pour faire face au paiement de l'échéance d'Octobre?

La situation allait en empirant et une catastrophe était imminente. Dans ces circonstances, l'adoption d'une mesure efficace, propre à faciliter au Gouvernement la tâche de se soustraire à cette position périlleuse et de sauvegarder du même coup les intérêts de ses créanciers, était devenue un devoir et une nécessité impérieuse n'admettant ni hésitation ni délai.

La Sublime Porte s'est arrêtée au parti qui, tout en imposant, et ce à titre provisoire, le moins de sacrifices possible au public, donnait en même temps au Trésor le délai voulu et les moyens matériels nécessaires pour assurer l'avenir financier de la Turquie, et, dès lors, les intérêts de ses créanciers qui se trouvaient de plus en plus compromis.

Les détenteurs des titres Ottomans n'ont donc aucun sujet de s'inquiéter de cette résolution, qui aura pour résultat presqu'immédiat, et personne n'en doute à l'heure qu'il est, le rétablissement de son équilibre budgétaire.

Votre Excellence voudra bien communiquer ce qui précède à messieurs les contractants

des susdits Emprunts, qui, nous en sommes convaincus, envisageront la question de ce même point de vue, et co-opéront, dans la mesure de leur pouvoir, à la réalisation du but proposé par le Gouvernement Impérial, en se faisant auprès des porteurs l'interprète des vues éminemment loyales qui ont présidé à adoption de la mesure financière dont il s'agit.

Veuillez, &c.
(Signé) SAFVET.

Inclosure 4 in No. 94.

Mr. Hyde Clarke to the Grand Vizier.

Council of Foreign Bondholders, 10, *Moorgate, Street*,
London, November 22, 1875.

Highness,

THE Joint Commissioners for the Ottoman Loans of 1858 and 1862, established in pursuance of the IIIrd Article of the Conventions with the Sublime Porte of the 4th and 14th of February, 1873, had the honour to address a letter to your Highness on the 8th October, by the hands of Mr. Stab, agent of the Commissions in Constantinople.

They have been favoured, so far as the 1862 Loan is concerned, with the transmission of a despatch of his Excellency Safvet Pasha, Minister for Foreign Affairs, under date 27th October.

It is a matter of gratification to the Commissioners that this reply has been transmitted with the same formalities as accompanied the Convention of 4th February, 1873, by the channel of the Minister for Foreign Affairs, the Embassy in London, and the Imperial Ottoman Bank, and Messrs. Devaux and Co., contractors for the Loan of 1862.

The Commissions trust that this channel of serious communication once opened, will serve as before to bring about an amicable arrangement of the matters on discussion between the Sublime Porte and the Commission.

The Commissions desire respectfully to observe that while the despatch of his Excellency the Minister for Foreign Affairs does answer the inquiry of the Commissions by acknowledging that the Sublime Porte did propose by its Decree of the 7th October, 1875, to commit a default of its pecuniary obligations towards the holders of the 1858 and 1862 Loans, it does not respond to the consequent reclamation of the Commissions.

The Commissions therefore claim of the Sublime Porte the integral and immediate application of the Conventions.

The Convention accepted by the bondholders of the 1862 Loan on the 17th February, 1873, and duly ratified by his Excellency the Ambassador of the Sublime Porte in London in its IVth Article textually recites:—

"It is distinctly understood that if, for the convenience of all parties concerned, the bondholders agree to this arrangement, it is not at any time to be considered as any supersession of the original provisions of their bond, and that, in the event of any failure in carrying out the foregoing arrangements, a Commission similar to that appointed by his Highness Aali Pasha, and reported in his letter to Sir Henry Elliot, 31st August, 1870, shall resume their active functions at Constantinople in conjunction with three members representing the English bondholders to be nominated by the Commission of Bondholders, and appointed by the Contractors of the Loan."

The instalment for the month of October of this year on the 1862 Loan not having been announced by the Imperial Ottoman Bank, the case foreseen by Article IV of the Convention has arisen, and the Syndicate is now to be constituted to receive the revenues of tobacco, salt, stamps, and patents, hypothecated to the service of the 1862 Loan. These revenues are more than sufficient to meet the service of the Loan, and to leave a large surplus for the general purposes of the Government.

So far as the despatch of the Minister for Foreign Affairs refers to the matter under consideration, it acknowledges the prospective rights of the holders of the 1862 Loan. It states that the Decree in question is of an absolutely temporary character, and intended to relieve the embarrassment of the finances of the Empire.

Upon this point the Commissions limit themselves to the observation that no exigency of the Ottoman Government can give it authority of itself to alter the Contract of 1862 and the Convention of 1863. It may be that the exigencies of the Government are greater than in 1873, but whatever the exigency may be, the Porte has only one legitimate course, which is, as in 1873, to address itself to the constituted representatives of the bondholder by the same channel as now, by an application emanating from its own Ministry transmitted

to its representatives in London, and thence to the contractors for the Loan, and direct to the Commissions appointed by the Conventions of 1873.

The Sublime Porte has no other consistent course. Strictly observing the Convention of 1873, the Porte punctually transmitted the monthly instalments stipulated by the Convention, and which are announced in correspondent form. The Porte may be unable to continue this remittance, but it is under no compulsion to invade the solemnity of engagements, while at the same time it professes to the holders of the 1862 Loan to maintain their sanctity and to provide for their integral fulfilment at a fixed date.

The Convention of 1873 is too newly made to be disregarded or arbitrarily evaded.

It remains, therefore, for the Sublime Porte to give effect to the conditions of receipt of the revenues by Syndicate, or to make suitable overtures to the other parties contracting in the Convention of 1862, the bondholders.

The Commission notice with regret a passage in the despatch of the Minister for Foreign Affairs, which they prefer to regard as the result of some error rather than as having strict reference to the 1862 Loan. The Minister intimates that the Government has not complied with the Contract of 1862, nor with the Convention of 1873, and that the instalments announced in the journals as proceeding from the hypothecated revenues of tobacco, salt, &c., have not been so derived, but from other sources, in consequence of the alienation by the Government of those revenues. The Commissions do not enter on such controversy, but leave to the Government and the Imperial Ottoman Bank to vindicate themselves.

The Commissions do not, however, comprehend the statement that the Porte has, with the greatest difficulty in the world, provided for the payment of the October instalment, and they solicit explanations from the Government on this head.

The Minister states that it has been the desire of the Government, by an efficacious measure, to safe guard the interests of their creditors, and that the holders of the 1862 Loan have no cause for disquietude. The Commissions respectfully represent that it is not the duty of the Government or of loan contractors to devise or carry out measures for safe guarding the interests of the creditors, but that it is these latter who are first to be consulted as the best judges of their own interests.

This the Sublime Porte has not done, and its proposition, so far from being an efficacious measure, is one which has placed Turkey in a perilous position, and thereby inflicted most serious injury on the creditors. A measure so ill-advised, if allowed to be put in operation, must still further aggravate the difficulties of the Empire and create new embarrassments, and nothing short of its immediate suspension or modification as demanded by the bondholders of all the Loans will enable the Porte to alleviate the situation of embarrassment created by this measure.

Apart from all financial considerations, the Decree tends to deprive Turkey of that great resource of national organization, honour and credit. A nation may be poor, harassed by internal or external war, and enjoy high consideration, but the nation excites distrust that is exposed to greater evils than poverty. Such is the abyss of misery towards which the Decree is driving Turkey, and thereby inflicting greater losses on those who, like the holders of the 1862 Loan, lent money to Turkey on moderate terms, and under the liability of participation in her vicissitudes

What the Porte calls an efficacious measure for safe guarding the interests of creditors has already carried suffering and misery into the households of tens of thousands of families in England, Belgium, Holland, Germany, France, and Italy. Much of this suffering would have been averted, and may yet be averted, by the Porte making honourable arrangements with the creditors with whom it has entered into solemn contracts.

As the bondholders of the 1862 Loan did not invite the Porte to safe guard their interests, so do they protest against this measure. The Commissions are fortified in this declaration by the unanimous resolutions of a general meeting of bondholders of the 1862 Loan, held on the 26th October last. They are likewise supported by the Committee then appointed in requiring of the Sublime Porte compliance with the stipulations of the Contract and of the Convention of 1873.

By some casualty, dependent on the course of communication adopted by the Porte, the documents relating to the 1858 Loan have not yet been received by the Commissions, which adhere to the same demands in relation to the 1858 Loan.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

No. 95.

Mr. Palmer to the Earl of Derby.—(Received November 24.)

My Lord, *Bank of England, November* , 1875.

REFERRING to the interview at the Foreign Office recently granted by your Lordship, to myself and others as representing the Turkish Loans of 1854, 1858, and 1871, I have now the honour to request your Lordship to carry out the promise which you then made to us of giving, non-officially, to the cause we represent all the support and influence of Her Majesty's Government in our negociations with the Turkish Government at Constantinople.

It may be satisfactory to your Lordship to be informed that the Council of Foreign Bondholders, who represent all the other Turkish Loans, have deputed two of their body to join the Committee over which I preside, in order that by uniting the interests of all classes in one body the possibility of any conflict or disunion may be avoided.

It is, therefore, in this capacity of head of a united Committee that I now address your Lordship.

I may also inform your Lordship that an influential Committee has been formed in Paris to represent French interests in the various Loans, with which we are in correspondence, and are acting in friendly alliance.

As we pointed out to your Lordship, the injustice of dealing with all the Turkish Loans upon one uniform system, reducing those that were issued at a high price in consequence of the supposed value of the security hypothecated to the same level with loans issued at a much lower price and without any security at all, is so apparent, that we have reason to believe, upon a very slight representation of the opinion entertained by Her Majesty's Government, that portion of the plan will be abandoned by the Turkish Government without hesitation.

But whatever scheme for readjustment or unification may ultimately be adopted in its place, the urgent and crying evil to be prevented at this moment is the contemplated issue by the Turkish Government of 35 millions of additional 5 per cent. stock for the purpose of paying the suspended interest and sinking fund, a step which will not only be fatal and irremediable as regards Turkey, and will prevent the possibility of any restoration of its credit, but which is neither appreciated nor desired by the bondholders, for whose benefit alone that scheme has been devised.

While objecting in the strongest manner to the plan which has been so hastily adopted by the Turkish Government, I desire to repeat to your Lordship that there is every disposition on the part of the bondholders of all classes to meet the Turkish Government in the fairest spirit, to make allowance for its difficulties, and to assist in the readjustment of its debt; and if met by Turkey in the same spirit, the Committee which I represent will be prepared to submit plans by which, instead of increasing the debt of the country by the issue of 35 millions of additional stock, the present amount of the debt may be diminished, and the annual sum required for the service of the various loans may be brought down to the amount which Turkey admits herself able to pay, and which it is believed her resources will permit her to discharge.

If, however, the fatal step should be taken of issuing any portion of this additional stock, the difficulties in the way of any arrangement will be greatly increased.

It is therefore under these grave and urgent circumstances, in the interest not only of the bondholders, but of Turkey itself, that I have to urge upon your Lordship immediately to communicate with Her Majesty's Ambassador at Constantinople by telegraph, and to instruct him to express to the Turkish Government—

1. That in your Lordship's opinion the plan proposing to suppress one moiety of the interest and sinking fund on the whole of the external and internal debt, and further to divert the hypothecations upon the faith of which some of the loans were issued at high prices from the service of those special loans to the debt generally, thus prejudicing specially secured loans issued at high prices, and unfairly benefitting loans issued at much lower prices, either without security as the 5 per cent. consolidated Loan or upon inferior securities, is so manifestly unjust, that, judging from your communications with the bondholders, your Lordship believes no amicable arrangement with the Turkish Government can be possible on such a basis.

2. To represent to the Grand Vizier the fair and friendly spirit in which the bondholders are prepared to meet the Turkish Government, and to consider and agree upon a readjustment of the debt, and to urge upon the Turkish Government to enter into negotiations with the bondholders for that purpose.

3. Above all things, to impress upon the Turkish Minister that, pending these nego-

tiations, no further steps should be taken to create a further paper debt, which can only lead to further difficulties and embarrassment.

These views it is the intention of this Committee to urge with all the influence it can bring to bear at Constantinople, and for that purpose we have been so fortunate as to secure the services of Mr. Otway, late under Secretary of State for Foreign Affairs, who will proceed to Constantinople as a special representative of the bondholders at the earliest possible date.

I shall have to ask your Lordship to afford to Mr. Otway all the support in your power in the objects of his mission, and for securing him a favourable reception from the Turkish Government.

I do not address your Lordship on this occasion as to the special position of the 1854 Loan as regards the remittance of the Egyptian tribute to the Bank of England, nor do I press your Lordship at this moment for any reply as to the course which the Government proposes to adopt with reference to that portion of the Egyptian tribute hypothecated for the service of the 1855 Loan, presuming, from not having heard from your Lordship on the subject, that it is still engaging the attention of Her Majesty's Government.

I have, &c.
(Signed) EDWD. HOWLEY PALMER,
Chairman of the United Committee.

No. 96.

Mr. Crawshay to the Earl of Derby.—(Received November 26.)

Gateshead Iron Works, Gateshead-upon-Tyne,
November 25, 1875.

My Lord,

I BEG leave to direct your attention to the inclosure, and have, &c.
(Signed) GEORGE CRAWSHAY.

Inclosure in No. 96.

Mr. Crawshay to Mr. C. F. Hamond, M.P.

Foreign Affairs Association, Newcastle-upon-Tyne,
November 24, 1875.

Sir,

HAVING, at your request, submitted your plan for dealing with the debt of the Ottoman Empire to this Association, and the same having been considered at a meeting of the Association held yesterday, and, again, at a meeting held this day, I have now to express to you our warm approval of it.

We approve of your plan because, whilst respecting all existing securities, it proposes that the bondholders should themselves offer to the Ottoman Government to accept a settlement on the basis of reducing the principal of the debt, as nearly as practicable, to the amount which has been actually received by the Ottoman Government.

Trusting that your fellow bondholders will see that their true interests will be best served by associating themselves with you in a course of conduct so equitable and so public-spirited,

I have, &c.
(Signed) GEORGE CRAWSHAY, *Chairman.*

No. 97.

Lord Lyons to the Earl of Derby.—(Received November 27.)

(No. 947. Confidential.)

Paris, November 25, 1875.

My Lord,

M. BOUREE, who, as French Ambassador to the Porte, was my colleague at Constantinople in the year 1867, and with whom I have been ever since on terms of friendship, came to see me yesterday evening, and told me that, after some hesitation, he had consented, or all but consented, to take the Presidency of a Committee which was being formed at Paris, to defend the interests of the holders of Ottoman stock.

He said that the Committee, according to present arrangements, was to be composed of himself as President, and of the following gentlemen :—

M. Mathieu Bodet, Minister of Finance in Marshal MacMahon's last Cabinet; M. Louvet, Member of the National Assembly; M. Moreau, Member of the National Assembly, and Syndic of the body of Agents de Change (official stock-brokers); M. Girod, Director of the Comptoir d'Escompte; M. Durieux, Vice-President of the "Crédit Industriel et Commerciel;" M. Baudelot, M. Daguin, M. Bertier, Vicomte Daru, Baron d'Erlanger, as representing the Crédit Mobilier.

M. Bourée proceeded to tell me that one of the first objects of himself and his colleagues would be to procure the formation of similar Committees in England, in Austria, in Italy, and perhaps also in Holland, which was one of the countries in which dividends on the Turkish loans were payable. They would then (he said) try to come to an understanding with those Committees on the measures to be pressed upon the adoption of the Porte, and as soon as this understanding was arrived at, would propose that the respective Governments should be asked to support at Constantinople the measures agreed upon.

M. Bourée added that his own ideas at the moment were that the Committees should keep entirely clear of all political considerations; that they should content themselves in fact, though not in principle, with the reduced interest offered by the Porte; that their efforts should be principally directed towards obtaining securities for the punctual payment of this reduced interest; and that, with this object, they should try to make it certain that the produce of the branches of the revenue appropriated to the payment of this interest should not be diverted to other objects. These (M. Bourée said) were his first impressions, formed without any formal consultation with his colleagues in the Committee.

He asked me what were the present views of Her Majesty's Government with regard to the Turkish Loans, and I referred him to the published accounts of your Lordship's interview with the deputation of bondholders, who waited upon you on the 5th of this month.

M. Bourée appeared to think that the number of Austrian subjects was sufficient to render it advisable to obtain the formation of a Committee at Vienna; but that the German and Russian interests in the matter were so inconsiderable, that there would be no means of obtaining any assistance in those two countries.

He did not give any opinion on the question of the right of each separate loan to retain the special securities assigned to it when it was issued.

In the conversation of which I made a report to your Lordship in my confidential despatch No. 849 of the 15th ultimo, the Duc Decazes, as your Lordship will recollect, expressed an opinion adverse to making any exceptions on this head, and spoke of directing his efforts to obtaining for all the loans alike security for the punctual payment of the half interest promised by the Porte.

It is said, indeed, that the Turkish stock chiefly held in France consists of consolidés, to which no special securities were ever appropriated.

M. Bourée told me that the Duc Decazes had at first thought that there might be objections to an officer of high rank in the Diplomatic Service being at the head of the Committee; but that his Excellency was now willing that he should take the Presidency of it.

I have, &c.
(Signed) LYONS.

P.S.—I purpose sending a copy of this despatch to Her Majesty's Ambassador at Constantinople by the messenger who will pass through Paris to-morrow.

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No. 98.

Lord Tenterden to Mr. G. Rogers.

Foreign Office, November 29, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 22nd instant, containing suggestions for the settlement of the Eastern question and of the claims of bondholders of Turkish Loans.

I am, &c.
(Signed) TENTERDEN.

No. 99.

Lord Tenterden to Mr. Hyde Clarke.

Sir, *Foreign Office, November* 30, 1875.

I AM directed by the Earl of Derby to inform you that copies of the papers inclosed in your letter of the 22nd instant, in relation to the Ottoman Loans of 1858 and 1862 will be forwarded to Her Majesty's Ambassador at Constantinople for his information, who will be instructed to render such unofficial support as he properly can to any representation which may be made by the bondholders.

Her Majesty's Government, however, must decline to communicate direct with the Ottoman Embassy in London on the subject, as suggested in your letter.

I am, &c.
(Signed) TENTERDEN.

No. 100.

Lord Tenterden to Mr. Palmer.

Sir, *Foreign Office, November* 30, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter* stating that Mr. Otway has been chosen by the bondholders of the various Ottoman Loans to represent their interests at Constantinople, and I am to inform you in reply that a copy of your letter will be sent to Her Majesty's Ambassador at Constantinople, who will be instructed to give what unofficial support he properly can to Mr. Otway.

Her Majesty's Government cannot, however, instruct Sir H. Elliot by telegraph inthe manner desired, or interfere officially in any way.

I am, &c.
(Signed) TENTERDEN.

No. 101.

Lord Tenterden to Mr. Redhouse.

Dear Mr. Redhouse, *Foreign Office, November* 30, 1875.

I HAVE to acknowledge your letter of the 22nd instant, inclosing a Memorandum on the present financial difficulties in Turkey, which I have laid before Lord Derby, and for which he wishes me to return you his thanks.

His Lordship, however, requests me to inform you that he cannot undertake to forward your letter to Raschid Pasha, and I therefore return it to you herewith.

I am, &c.
(Signed) TENTERDEN.

No. 102.

Lord Tenterden to Mr. Crawshay.

Sir, *Foreign Office, November* 30, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 25th instant, upon the subject of Mr. Hamond's plan for dealing with the Turkish Debt.

I am, &c.
(Signed) TENTERDEN.

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* No 95.

No. 105*.

Sir H. Elliot to the Earl of Derby.—(*Received December* 3.)

(No. 780.)

My Lord, *Therapia, November* 23, 1875.

THE agent of the Council of Foreign Bondholders called upon me on the 18th instant, to speak of the position of the question of the reduction of the interest on the public debt of Turkey, again expressing his wish that the Porte might be induced to enter into communication with the Council, and concert with it the details and mode in which the reduction is to be carried out.

The contractors of the different loans having declined to name members of the proposed Syndicate, it was understood that the Porte intended to proceed to nominate them, which would, he said, deprive those bodies of all confidence.

I asked Mr. Stab whether I could now tell the Porte that in this question the Council fairly represented the British holders of the bonds of all the different loans.

He said that, unfortunately, I could not, as the holders of bonds in three loans, who had sent a Deputation to wait on your Lordship on the 5th instant, had not associated themselves with the others; but the interests they represented were insignificant in amount, compared with those of the rest.

I observed that this divergence of views made it necessary for me to move with caution in the question; for while advocating the wishes of the one section of British subjects interested, I might be acting in a manner which the other section would consider injurious.

At the same time I certainly thought it desirable, if possible, that the Porte should invite the whole body of bondholders to concert upon the measures to be taken, and to try to avoid the obvious injustice of reducing all classes of securities to the same level.

I did not, however, quite see how it was to be done.

The British bondholders were not agreed among themselves, and, if they were, they would then represent less than the half of the whole of the Turkish creditors, those of other countries being entitled to equal consideration and to be consulted in the same way.

I afterwards saw Artin Effendi, the Acting Minister for Foreign Affairs, and recommended that the Porte should not officially appoint the Syndicate, if it was possible to obtain the concurrence of the bondholders, and said that every effort should be made to arrive at this result through the Ottoman Ambassador in London.

Artin Effendi said that, provided it was understood that the Porte could not pay more than the half of the interest on its debt in money, its only wish was to carry out the measure in the way that would be preferred by the bondholders, and he would see if it would be possible to come to an understanding with them through Musurus Pasha.

I have, &c.

(Signed) HENRY ELLIOT.

No. 103.

The Earl of Derby to Sir H. Elliot.

(No. 388.)

Foreign Office, November 30, 1875.

Sir,

I TRANSMIT to your Excellency, for your information, copies of a letter from Mr. Palmer on behalf of the bondholders of the various Ottoman Loans, announcing the selection of Mr. Otway to represent their interests at Constantinople, and of my reply thereto.

Your Excellency will give to Mr. Otway such unofficial support as you may think proper, but in no case can Her Majesty's Government undertake to support him officially.

I am, &c.

(Signed) DERBY.

No. 104.

The Earl of Derby to Sir H. Elliot.

(No. 389.)

Foreign Office, November 30, 1875.

Sir,

I TRANSMIT to your Excellency, for such unofficial support as you can properly afford, a copy of a letter from Mr. Hyde Clarke, who writes on behalf of the bondholders of the Ottoman Loans of 1858 and 1862. I also transmit to you, for your information, a copy of the reply which I have caused to be returned to Mr. Clarke.

I am, &c.

(Signed) DERBY.

No. 105.

Mr. Palmer to Lord Tenterden.—(Received December 2.)

Bank of England, December 1, 1875.

My Lord,

I BEG to acknowledge your Lordship's letter of yesterday's date, written by desire of Lord Derby, and intimating that a copy of my former letter will be sent to Sir Henry Elliot at Constantinople, with authority to him to give unofficially any support that he can give properly to the mission entrusted to Mr. Arthur Otway by the holders of the bonds of the various Ottoman Loans.

Mr. Otway leaves London to-night for Paris, for the purpose of meeting Sadyk Pasha, who is expected to arrive there to-morrow evening. It is generally believed that Sadyk Pasha has authority from the Porte to negotiate upon this financial question, and in anticipation of this being the case, I venture to ask your Lordship to submit to Lord Derby the request of the Committee over which I preside, viz., that his Lordship will be good enough to send to Lord Lyons, our Ambassador in Paris, instructions and authority similar to what have been given to Sir Henry Elliot at Constantinople.

I have, &c.

(Signed) EDWD. HOWLEY PALMER.

No. 106.

Sir A. Paget to the Earl of Derby.—(Received December 4.)

(No. 314.)

Rome, November 30, 1875.

My Lord,

IN yesterday's sitting of the Chamber of Deputies, in answer to a question asking for information requesting the action of the Government on behalf of Italian holders of Turkish stock, the Minister for Foreign Affairs stated that the Italian Legation at Constantinople had officially requested explanations respecting the measure of partial payment of interest on the Turkish debt, and that a Syndicate was to be appointed to control the payment of revenues especially destined for payment of interest on the Foreign Debt.

The Minister added that, in answer to his inquiries, he had learnt that the other Great Powers had decided to maintain an attitude of reserve on this question, and that this

announcement ought to make Italian capitalists more prudent in future in their investments.

I have the honour to inclose herewith, from the "Italie," an account of the above interpellation.

I have, &c.
(Signed) A. PAGET.

Inclosure in No. 106.

Extract from "L'Italie" of November 29, 1875.

M. Petruccelli della Gattina interroge le Ministre des Affaires Etrangères sur les démarches faites par le Gouvernement pour sauvegarder les intérêts des citoyens Italiens possesseurs de rente Turque, lors de la récente catastrophe financière de la Turquie.

L'orateur rappelle ce qu'ont fait les Ministres Anglais et Français à ce sujet. Le bruit court que le Gouvernement Italien n'a rien fait, et cela sous le prétexte que les possesseurs de rente Turque sont cléricaux.

Je n'ajoute pas foi à ce bruit, car je sais que si le Gouvernement Italien est un parti, devant l'étranger il représente la nation. (*A droite :* Ecoutez !)

M. le Président.—Je vous fais observer que vous offensez le Gouvernement en l'accusant de ne pas défendre les intérêts de tous les citoyens indistinctement.

M. Petruccelli.—J'ai dit que je n'ajoutais pas fois à ce bruit.

M. le Président.—Tout Italien, à quelque parti qu'il appartienne, a droit à la protection du Gouvernement National.

M. Petruccelli.—Je l'entends précisément ainsi.

Parlant des opérations financières du Gouvernement, l'orateur les appelle des *carozzini*.

M. le Président.—Je vous invite à vous servir de termes plus conformes à la dignité du Parlement.

M. Petruccelli.—L'expression n'est pas de moi : je l'ai lue dans le "Times."

M. le Président.—Le "Times" n'est pas le Parlement. Il n'est pas permis de citer ici tout ce qu'écrit le "Times."

M. Petruccelli examine les conditions de la Turquie, les causes qui ont conduit ce Gouvernement à la faillite. Il cite les énormes dépenses de luxe que le Sultan fait avec les deniers publics.

Quant aux réformes, il dit qu'elles sont impossibles, comme elles étaient impossibles à Rome sous la domination du Pape. La Turquie n'est plus aujourd'hui qu'un préjugé diplomatique.

L'orateur déclare qu'il ne veut pas aujourd'hui demander au Gouvernement sa manière de voir au sujet de la question d'Orient.

M. le Président invite l'orateur à ne pas s'écarter de la question.

M. Petruccelli.—Je n'ai nullement l'intention de divaguer. L'orateur termine en demandant au Ministre quelles démarches il a faites pour protéger les intérêts des Italiens possesseurs de rente Turque.

M. Visconti Venosta, Ministre des Affaires Etrangères, commence par déplorer que le langage de l'interpellant ne soit pas conforme à celui toujours tenu dans le Parlement National toutes les fois qu'il s'est agi de questions de politique étrangère.

M. Petruccelli.—J'ai prononcé quelques mots ——.

M. le Président l'invite à ne pas interrompre.

M. Visconti Venosta aborde ensuite la question soulevée par l'interpellant. Il donne des éclaircissements sur le Décret Impérial relatif au mode de paiement des intérêts de la rente Turque.

Notre Légation à Constantinople demanda des éclaircissements sur cette mesure. Il y eut un échange de communications officielles dont le Gouvernement a déjà fait connaître le résultat au public. D'après des renseignements récents reçus par le Gouvernement, un syndicat serait constitué pour contrôler le couvrement des recettes qui devront servir au paiement de la dette.

Ce Syndicat représenterait les créanciers de la Porte et devrait s'entendre avec le Gouvernement Ottoman. Le Gouvernement a voulu connaître les vues qui prévalaient chez les autres nations. De cet échange de communications il est résulté que les autres Puissances n'entendent pas s'éloigner d'une grande réserve.

Ce fait devrait rendre plus prudents à l'avenir les capitalistes Italiens à l'égard d'opérations non suffisamment garanties. (Bravo ! bien !)

M. le Ministre répond ensuite à l'interpellant que le Gouvernement n'a jamais fait de différence entre les citoyens dans la protection de leurs intérêts. Il n'aurait pu s'éloigner de la ligne de conduite tenue par les autres Etats également intéressés.

Il promet de surveiller attentivement cette affaire et assure à la Chambre que les intérêts des Italiens seront dans cette circonstance aussi protégés que ceux des autres Etats.

M. Petruccelli.—Je ne suis nullement sûr que la Turquie ait encore cinq ans d'existence. (Ecoutez ! écoutez ! Hilarité !) Je n'ai donc aucune confiance dans la promesse faite de payer au bout de cinq ans la moitié des intérêts. Quant au Syndicat, je fais observer qu'il existe déjà depuis quelques années, mais sans aucun fruit.

Je ferai remarquer à l'honorable Ministre qu'il a condamné les capitalistes qui avaient acheté la rente Turque, oubliant que cette rente était cotée à la Bourse en Italie. Les possesseurs de cette rente sont des ignorants dignes de compassion. Je conviens que le Gouvernement Italien ne peut agir avec l'énergie des Gouvernements Français et Anglais, et partant il ne me reste qu'à avoir confiance dans la bonne volonté du Ministre des Affaires Etrangères.

M. le Président.—L'incident est vidé.

No. 107.

The Turkish Minister for Foreign Affairs to Musurus Pasha.—(Communicated to the Earl of Derby by Musurus Pasha, December 6.)

M. l'Ambassadeur, *Sublime Porte, le 17 Novembre*, 1875.

J'AI l'honneur de vous accuser réception de la lettre que vous avez adressée le 21 Octobre dernier à son Excellence Safvet Pacha, relativement aux récentes mesures financières.

Diverses communications concernant le même objet sont déjà parvenues à votre Excellence, et ont dû lui permettre d'éclairer plus complètement Lord Derby sur le véritable caractère des mesures décrétées et de ramener l'opinion publique à une plus saine appréciation des intentions et des actes du Gouvernement Impérial.

Vous devez être aujourd'hui pleinement convaincu, M. l'Ambassadeur, qu'il serait aussi dangereux qu'inopportun de modifier les décisions financières de la Sublime Porte, et que le moindre changement aurait pour effet, non seulement de jeter une nouvelle cause de perturbation dans l'esprit des intéressés, mais d'enlever aux actes du Gouvernement Impérial tout crédit et toute autorité.

Vous voudrez bien aussi, M. l'Ambassadeur, faire ressortir aux yeux de Lord Derby l'impossibilité où se trouvait le Gouvernement Impérial d'établir une ligne de démarcation entre les détenteurs de la dette extérieure et ceux de la dette intérieure sous peine d'être taxé d'un esprit d'économie mal entendue et surtout d'un parti pris de léser les intérêts des uns au détriment des autres. Il est vrai que les emprunts extérieurs sont dotés d'un amortissement qui se trouve atteint par les mesures actuelles, tandis que la dette générale n'est touchée que dans le mode de paiement de ses coupons d'intérêt.

Mais il est à remarquer que les titres des emprunts extérieurs qui sortiront aux tirages dans la période de cinq années seront payés moitié en espèces et moitié en un titre doté lui-même d'un amortissement certain et régulier, d'où il suit que le détenteur, au lieu d'être frappé, comme on s'est plû à le croire au premier abord, d'une répudiation complète ou d'une réduction temporaire, ne subit en définitive qu'un simple ajournement ; de la même façon que si l'on avait décidé que durant les cinq années on ne ferait plus sortir de la roue que la moitié des numéros prescrits par les Conventions, votre Excellence saisira certainement cette occasion pour rappeler soit à sa Seigneurie soit aux intéressés qui s'adresseraient à elle, soit enfin aux organes de l'opinion publique, que la Dette Générale a été privée de l'amortissement qui lui était acquis par voi de rachat, et qu'on ne saurait légitimement aggraver le sort des détenteurs de ce fonds, en faisant peser sur eux une plus lourde charge, dans l'exécution de la mesure de salut que le Gouvernement Impériale a été obligé d'adopter.

En ce qui touche les affectations spéciales que les intéressés reprochent au Gouvernement Impérial d'avoir méconnues à leur détriment, vous n'aurez pas manqué déjà, M. l'Ambassadeur, de leur faire constater combien ce reproche est mal fondé, en présence des garanties nouvelles et collectives que le Gouvernement Impérial met à la disposition des Syndics qui doivent être désignés par les représentants des détenteurs de fonds Ottomans. C'est la réalité mise à la place d'une fiction. Je dis une fiction, puisque, si l'on compare le cours de la dette générale avec les cours des dettes extérieures dotées d'affecta-

tions spéciales, on constate une parfaite parité de crédit, sur tous les marchés de l'Europe, entre ces deux valeurs, en tenant compte des conditions différentes d'intérêt et du dégré d'avancement de l'amortissement, d'où il suit que jamais ces affectations n'ont eu aucune influence sur la tenue des cours, tandis que les garanties actuelles étant réelles et effectives doivent exercer une influence marquée sur le crédit de la Turquie et sur la confiance publique.

Je vous prie, M. l'Ambassadeur, d'utiliser ces considérations tant dans vos entretiens avec Lord Derby, et dans vos rapports avec les financiers Anglais, qu'auprès des organes influents de la presse.

Je vous prie, M. le Ambassadeur, d'exprimer en même temps à Lord Derby de la part de son Altesse le Grand Vézir, toute sa gratitude pour les marques de bienveillance et de sympathie qu'il a bien voulu donner au Gouvernement Impérial à l'occasion des dernières mesures financières, et en particulier pour la déclaration qu'il s'est plû à faire à la députation des détenteurs de nos fonds, déclaration qui a fait l'objet du dernier télégramme de votre Excellence en date du

Sa Seigneurie doit être absolument certaine que la Sublime Porte ne séparera jamais ses intérêts de ceux de ses créanciers qui lui sont chers à plus d'un titre.

Veuillez, &c.

(Signé) ARTIN DADIAN.

No. 108.

The Earl of Derby to Lord Lyons.

(No. 744.)

Foreign Office, December 6, 1875.

My Lord,

I TRANSMIT to your Excellency herewith a copy of a despatch which I have addressed to Sir Henry Elliot, at the request of Mr. Edward H. Palmer, one of the Deputy-Governors of the Bank of England, on behalf of the bondholders of the various Ottoman Loans, who have selected Mr. Arthur Otway to represent their interests at Constantinople, instructing Sir H. Elliot to give Mr. Otway such unofficial support as he may think proper, but stating that in no case could Her Majesty's Government undertake to support him officially.

I further inclose a copy of a letter from Mr. Palmer, announcing Mr. Otway's intention to proceed to Paris for the purposes of meeting Sadyk Pasha, who is expected to arrive in that capital on business connected with the question of the Loans; and, in accordance with the wish expressed by Mr. Palmer, I have to request that your Excellency will, in like manner as Sir H. Elliot has been instructed, afford to Mr. Otway such unofficial assistance as you can properly give him.

I am, &c.

(Signed) DERBY.

No. 109.

Lord Tenterden to Mr. Palmer.

Foreign Office, December 6, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 1st instant, requesting, on behalf of the Ottoman bondholders, that instructions analogous to those which have been given to Her Majesty's Ambassador at Constantinople may be addressed to Her Majesty's Ambassador at Paris, to afford to Mr. Otway, on his visit to that capital on business connected with the interests of the bondholders, such unofficial assistance as he properly can; and I am to inform you, in reply, that Lord Lyons has been instructed accordingly.

I am, &c.

(Signed) TENTERDEN.

No. 110.

Mr. Otway to Lord Tenterden.—(Received December 7.)

Hotel Meurice, Paris, December 6, 1875.

My Lord,

IT is considered here that Sadyk Pasha will be furnished with, or will obtain, instructions which will enable him to conclude arrangements with the holders of Turkish bonds.

If that be the case, it will not be necessary for those who are charged with their interests to proceed to Constantinople, and it is on this supposition that I ask you to be so good as to request Her Majesty's Secretary of State for Foreign Affairs to address to Lord Lyons a letter similar to that which I gather from your Lordship's letter to Mr. Palmer of the 30th ultimo he purposed addressing to Sir Henry Elliot relating to myself.

I have, &c.

(Signed) ARTHUR OTWAY.

No. 111.

Lord Tenterden to Mr. Otway.

Foreign Office, December 11, 1875.

Sir,

I HAVE laid before the Earl of Derby your letter of the 6th instant, and I am directed by his Lordship to state to you, in reply, that, previous to its receipt, Her Majesty's Ambassador at Paris had been instructed, upon the application of Mr. Edward Palmer, to afford you such unofficial assistance as he properly could in the business in which you are engaged on behalf of holders of Ottoman bonds.

I am, &c,

(Signed) TENTERDEN.

No. 112

Newspaper Extract.

THE TURKISH BONDHOLDERS. DEPUTATION TO LORD DERBY.—Yesterday, Mr. Hamond, M.P., introduced a Deputation to the Earl of Derby at the Foreign Office, (with whom was Lord Tenterden). The Deputation consisted of Mr. James London (Deputy Chairman of the General Committee); Mr. Guedalla (Chairman of the Committee of the Five per Cent. Loans, representing 96,000,000*l.* sterling); Mr. Withers (Commissioner of the 1858 and 1862 Loans); Sir Alfred Slade (as an independent bondholder, representing a heavy interst in the 1854 Loan); and Mr. Sydney Crawshay, holding very large family interests in the several loans. In introducing the Deputation it was stated that they were both representative and influential. They proposed to take the money which the late Iradé secured in the manner following:—The debt of Turkey was of two descriptions, those loans negotiated in foreign countries, and which had special hypothecations secured to them; and the General Debt, which was called the Consolidated Debt, and which ten years ago was an internal debt of Turkey, and had now been made an internal and general debt which had no security. The present debt of Turkey secured by special hypothecations was about 74,800,000*l.*, and the debt had been increased by borrowing at different times since 1854, in this way—issuing 100*l.* bonds at a nominal price of 100*l.*, but issuing these different loans, and invariably paying 6 per cent. upon each 100*l.* bond. So that the Turkish Government had sometimes had 80*l.*, 78*l.*, 62*l.*, down to the Loan of 1873 for nominal 100*l.* bonds. They at the same time paid an interest of 6 per cent., not upon the price of issue, but upon the nominal amount of the bonds—thus hypothecating under each loan a certain sum of money which would pay the sinking fund of 1 or 2 per cent., as the case might be, or the interest upon the loan. The Turkish Government never had any benefit from the operation until the entire amount of the debt bought in that particular year was paid off. Inasmuch as the interest upon the debts increased by the mode of paying off by means of sinking fund, the interest so saved by paying of the debt was added to the sinking fund, and so at the present moment some of the sinking funds amount to greater sums than the interest on the remaining debt, so that the debt was 74,892,760*l.* There is a general debt issued at 5 per cent., upon which no security has been given, amounting to 84,300,000*l.* The original issue was intended to be 96,000,000*l.*, but only 84,200,000*l.* had been issued,

owing to the fact that the Treasury bondholders have an opportunity between this and 1878 of exchanging their holdings to 100*l.* bonds, bearing interest at 9 per cent., with a general debt at the rate of 150*l.* for 100*l.* Treasury bonds. The General Debt, which was issued on an average at 46*l.* or 48*l.* also bears interest at 5 per cent. on the 100*l.* The total, including the Treasury Bonds and the debt, amounted to 31,000,000*l.*, which was created for the Roumelian Railway Lottery Loan 1870, and the present contract, which is held principally in Austria, making a present total of 197,417,160*l.* debts, requiring 13,000,000*l.* and 14,000,000*l.* a-year to pay the interest of the sinking fund.

Lord Derby.—When you take these figures you take the whole amount for which the Turkish Government is at present liable, that amount being very much in excess of the money which they have actually received.

Mr. Hamond said—Yes, the amount which they had received was only the amount which they had paid for the relative price of issue under the different loans. Turkey felt herself unable to bear the heavy amount of interest, and upon a large amount of capital she had received no consideration whatever, and the result of her financial position was not surprising. They now offered to pay one-half of the interest in sinking funds on the present rates, giving interest on the other half which they do not pay, giving interest on that, and then issuing paper for the one-half of the interest, which at the end of five years would amount to 35,000,000*l.* of additional debt to Turkey, and a charge upon her revenue of 2,100,000*l.*, for although the 7,000,000*l.* in the first year would only amount to about 350,000*l.* for interest, yet in the second year it would multiply, so that under the special Iradé in five years she would have to pay 15,000,000*l.* a-year on her debt of 197,447,160*l.*, plus the 35,000,000*l.* new debt which she proposes to issue by borrowing at an interest extending over thirty-five years. Therefore the bondholders, seeing the position in which Turkey was placed, and anxious to devote the 7,000,000*l.*, which she would have to pay as interest and sinking fund for future debt in a way that would be more beneficial to the bondholders, and far more advantageous to herself, suggest a scheme whereby the bondholders, both secured and unsecured, in order to relieve Turkey from her financial embarrassments, and to do the best in their power to show their appreciation of the future of Turkey, say they will surrender the difference between the price of this plus 10 per cent. and the nominal amount of their respective bonds, and to apply the 7,000,000*l.* in a way more advantageous to both parties.

Lord Derby.—That is to say, if I understand you rightly, that where a loan has been nominally for 100*l.* issued at 80*l.*, that you will only hold the Turkish Government responsible for payment of 80*l.*?

Mr. Hamond replied in the affirmative, plus 10 per cent. With regard to the mode adopted by Turkey of borrowing, not one sixpence of some of the loans had ever reached the Turkish Treasury, but had been swallowed up by the contractors. What was proposed was to create the difference between 80*l.* per cent. and the nominal debt of 100*l.*, which would be the future debt of Turkey under each particular debt.

Lord Derby.—I see you call your newly-proposed sinking fund "accumulative." I quite understand that, but a great deal turns upon the question what you invested in at the time. What basis do you put that upon?

Mr. Hamond said the bondholders had made a free offer to a foreign country of 78,500,000*l.* to relieve her in the time of need, and gave up the right to the 335,000*l.* odd of the present sinking fund, and say, begin *de novo* with their reduced capital, and then form a sinking fund to commence with. They say they will reduce their debt, and begin a new sinking fund upon that debt.

Lord Derby.—I do not quite understand your proposition. What do you mean by a sinking fund?

Mr. Hamond said—Take his own loan of 1862. On that loan 640,000*l.* was year by year taxed by the Porte to pay the interest and sinking fund upon the 8,000,000*l.* originally borrowed. As the interest decreases by means of these drawings year by year at 2 per cent. per annum, it does not go the benefit of the Porte, but the 640,000*l.* always remain, and therefore the interest is thrown upon the sinking fund to increase it, and that is the meaning of the word accumulative.

Lord Derby.—You will invest it in their debt?

Mr. Hamond said yes, and whatever might come out might be drawn by the process of the sinking fund year by year, and the interest upon the amount so saved or drawn was added to the sinking fund, so that year by year the sinking fond increases as the debt is paid off by the interest upon that debt which is so paid off. They brought the bondholders' debt down from 74,000,000*l.* to 52,000,000*l.*, and the interest becomes 3,100,000*l.*, whilst the sinking fund is only 640,000*l.*, instead of 3,000,000*l.* of money. They went to the issue of 5 per cent. That was reduced to 44,000,000*l.* On the 5 per cent. amounts to

2,210,000*l.*, and the sinking fund has never yet been touched upon. That has no special security. Then they came to the Treasury bonds, and here the original 5 per cent. issue is 96,000,000*l.*, but at present only 84,000,000*l.* is issued, because the Treasury bonds have a right to exchange into the general debt if they like, within the period of three years, so that if they exchange their amounts, then the Treasury bonds become added to the general issue of 5 per cent., and they are no longer Treasury bonds or Exchequer issue. The bondholders gave a greater sinking fund to it, and a greater amount of interest, because it was their anxiety to deal with all classes in a spirit of equity and liberality. The result was that by an actual reduction in the present debt of 78,505,912*l.* in favour of Turkey a permanent saving to the country of interest and sinking fund amounted to 5,343,744*l.* In addition, they prevented her issuing that 35,000,000*l.* which she proposes to do, and at the end of five years they save her another 2,000,000*l.* and odd more. So that the scheme proposes to relieve Turkey in her present position of about 113,000,000*l.* of her debt and save her 7,300,000*l.* a-year. Such an offer was unprecedented, but it was done to show a feeling that they regard the interests of Turkey with warm solicitude, and they did not presume to ask his Lordship to take any official action on this matter as they were acting for themselves; but they did ask that when the bondholders so readily abandoned so large an interest in the debt of Turkey, and gave up 78,000,000*l.* of her present debt, and thus prevented her borrowing 35,000,000*l.* more, they did ask his Lordship to aid as much as he could in an unofficial manner—that his Lordship would be good enough to telegraph to the Ambassador at Constantinople to aid as best he is able, and in an unofficial manner to recommend the present scheme for adoption, so that the coupons and bonds of all the loans of Turkey might on the 1st of January come within the scope of its operation. He trusted his Lordship would aid them with all his unofficial power. In a room of 600 gentlemen the scheme had been sanctioned almost unanimously.

Lord Derby.—As I understand, you do not propose to increase the amount which the Turkish Government is to pay year by year to its creditors?

Mr. Hamond.—Not a bit.

Lord Derby.—You only propose that the money shall be differently applied?

Mr. Hamond said that was so.

Lord Derby.—You start upon the principle, so far as that goes, of her having received the money, and no farther?

Mr. Hamond affirmed that remark, but said that not one creditor would be the loser to the amount of one penny until the scheme was adopted.

Lord Derby.—Have you any means of ascertaining what the feeling of the foreign bondholders is?

Mr. Guedalla, Chairman of the Committee of the General Debt of Turkey, said Turkey had been more sinned against than sinning. The Loan of 1873 was swallowed up by syndicates and contractors in all the foreign cities, including London, at 38. It was then brought forward in Paris, without any notice, at 42½. The speaker mentioned other similar instances, and added that on the Treasury bills, which were 9 per cent., Turkey paid 11*l.* 1*s.* 4*d.* per cent. to the loan contractors, the profit being 2,250,000*l.* only. They had received accounts from Paris quite favourable for the adoption of the scheme of a *projet d'amour*, as they called it. During the last twenty years Turkey had lived by borrowing; her Treasury bills had never been raised at less than 75 per cent., and the last time the amount was given to her by the Ottoman Bank at 18 per cent.

Sir Alfred Slade said, as a holder of 1854 stock, he did not desire to be included in any scheme, but he had no hesitation in saying that Mr. Hamond's scheme was most just and equitable, and would prevent stock-jobbing speculation.

Lord Derby.—Do I understand that you recommend Mr. Hamond's scheme for all the loans except the one you are interested in? You think you have an exceptional position; but if that position is not admitted, then you fall back upon this scheme?

Sir Alfred Slade said—Just so. He begged to say that Mr. Palmer, who attended here a few weeks ago, had no right to represent the 1854 bondholders; and perhaps his Lordship recollected he (Sir Alfred Slade) wrote to him (Lord Derby) protesting against his representing that loan.

Lord Derby.—Yes. Mr. Otway has lately gone out, as I understand, representing the bondholders.

Mr. Hamond.—Before any meeting took place Messrs. Palmer took upon themselves to send Mr. Otway out to act on their behalf. We protested against his acting in any way as our representative. He is a highly respectable man. No one could find fault with him in any way; but he represents another interest important to himself, being chairman o. the Smyrna and Aidin Railway, and that Company requires from the Porte a large amount of interest guaranteed, which they have not yet received; and they felt that any gentleman

nominated by holders of 7,000,000*l.* of stock should not be forced upon holders of 107,000,000*l.* They thought, therefore, they were entitled to be represented by a gentleman who has the whole interest at heart, and not one acting for himself.

Lord Derby.—I wish to understand your views, and if you will just put a statement into writing so that we may have it officially to work upon, I shall be glad.

Mr. Hamond promised to supply this, and the deputation thanked his Lordship and retired.

No. 113.

*The Earl of Derby to Lord Lyons.**

(No. 769.)

My Lord, *Foreign Office, December* 13, 1875.

WITH reference to my despatch No. 744 of the 6th instant, I transmit to your Excellency herewith, for your information, a copy of a printed statement† left with me to-day, by the deputation of Turkish bondholders, from which your Excellency will observe that Mr. Hamond, M.P., and Mr. Butler Johnston, M.P., are represented to be the Commissioners named by the bondholders.

The deputation likewise explained that Mr. Otway was only acting in behalf of Palmer and the loans with which he was associated, and not in behalf of the general body of bondholders.

A further communication is to be made to me by the members of this deputation; but I lose no time in making your Excellency acquainted with their statement in regard to Mr. Otway's position.

I am, &c.

(Signed) DERBY.

No. 114.

Mr. Hamond, M.P., to the Earl of Derby.—(*Received December* 14.)

My Lord, *Westminster Palace Hotel, December* 13, 1875.

ACCORDING to your request made at this afternoon's deputation, I now beg to hand to your Lordship copies of the scheme proposed for the settlement of the Turkish debt, and which has been agreed to by all classes of bondholders.

I need not repeat to your Lordship the explanations already given you, further than to repeat that this scheme, while accepting the 7,000,000*l.* per annum, as named under the late Iradé, it is by this scheme applied in such a way, that it proposes to relieve Turkey of 78,000,000*l.* of her debt, and effect a saving of 5,500,000*l.* of her revenue, and also preclude the necessity of the Porte issuing the additional 35,000,000 of bonds, as proposed by the late Iradé, and so effect a further saving at the end of five years of 2,000,000*l.* a-year.

This frank, generous, and voluntary offer, is so graceful an act, that a Minister of England may well be proud in recommending so great a proposition. I ask, then, your Lordship to give us what we have fairly a right to expect, the moral and unofficial support of England's Foreign Minister; and in urging upon your Lordship the absolute and imperative necessity for prompt action by telegram to Constantinople, so that the dividends, &c., payable in January may be made under this scheme. I feel I am only asking for that which does not in the remotest degree involve this country in any Imperial payment, or the slightest political complication whatever. It is a simple, generous act, although unprecedented in any country, for which we ask your Lordship's moral and ready support. Delay may be fatal, but prompt and decisive action may prove the greatest benefit to the Porte.

The bondholders feel they have done their part in proving their deep solicitude for the welfare of the Ottoman Empire; and earnestly hope that your Lordship will not be indifferent to the simple request now made to you.

I beg to inclose the copy of letter I mentioned to your Lordship, and also one received to-day, of a still far more favourable character, as to the feelings of the Porte in regard to the "Hamond" scheme.

I have, &c.

(Signed) CHAS. FRED. HAMOND.

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* Identic despatch to Sir H. Elliot. † No. 114.

Inclosure 1 in No. 114.

Memorandum.

THE following are the general principles upon which it is proposed to carry out the settlement of the Turkish Debt, in accordance with the scheme of Mr. Hamond, M.P., adopted by all the bondholders:—

I. No new stock or bonds to be created, as proposed by the late Iradé, and the existing bonds and coupons to remain unaltered (thus saving great trouble, loss of time, and expense.)

II. The existing hypothecations to be preserved, or ample equivalents thereto.

III. The revenues, excepting the Egyptian tribute, to be paid over to a Joint Commission at Constantinople, the bondholders of England, France, Germany, Austria, and Italy, each electing one (the Porte being respectfully invited to nominate one also, should they think fit), and by this Commission to be remitted monthly to England through the Imperial Ottoman Bank, on account of, and in trust for, the bondholders, to be paid over, as received, to the credit of the agents of the various loans.

IV. The Egyptian tribute to be remitted direct, and the account to be continued by the Bank of England as heretofore, subject to the details of the general scheme for reduced interest and sinking fund, the balance being applicable for the other loans, as proposed by Safvet Pasha's Circular of October 20.

V. The rates of interest to be paid to be the existing rates on the various bonds, excepting the Treasury bonds, reduced to 6 per cent., calculated upon the issue price of of the bond, plus 10 per cent. additional to such issue price, according to the scheme of Mr. Hamond, M.P., unless the rates of interest to be paid shall be increased at the end of five years by the voluntary action of the Porte itself.

VI. Coupons to be absolutely surrendered on the reduced payment being made on them by the agents, in accordance with Clause 5.

VII. The balance of the sum which Turkey will pay annually for interest on the various loans, under Clause V, shall be applied to the purposes of the several sinking funds, by drawings for payment at 10 per cent. beyond issue price of bonds.

That Mr. Hamond, M.P., the Chairman of the United Committees, and Mr. Butler Johnston, M.P., be the Commissioners on behalf of the bondholders to carry out the above arrangements, in co-operation with the Council of Foreign Bondholders, they electing a Commissioner to act on their behalf.

N.B.—This scheme was approved of and adopted by an overwhelming majority at a meeting of all classes of Turkish bondholders, held at Cannon Street Hotel, London, on the 7th December, 1875, by the following Resolution :—

Moved by Mr. Hamond, M.P., seconded by Mr. H. Guedalla, and resolved :—

That the scheme of Mr. Hamond be adopted by this meeting of Turkish bondholders, and be submitted to the Porte as the settlement of the Turkish debts, excepting the Treasury bonds, should they not be included in the text of the Decree.

(Signed) CHAS. FRED. HAMOND,
Chairman of the General Committee of Turkish Bondholders.

London, December 9, 1875.

Inclosure 2 in No. 114.

Mr. Stab to Mr. Hamond, M.P.

Constantinople, December 2, 1875.

(Extract.)

AS announced in my last letter, on Tuesday, I went to the Sublime Porte and had an interview with the Grand Vizier. In delivering your Memorial to His Highness, I explained the purport of its contents, and particularly dwelt upon the necessity that the Government, for its own sake, ought to open negotiations with the bondholders.

His Highness said he had no objection to adopt this course, but he asked me to speak to Artin Effendi on the subject, who had received his instructions. His Highness ordered your letter to be translated into Turkish.

Thence, I went to the Hardjié (Foreign Office), and had an interview with Artin Effendi. I related to him my conversation with the Grand Vizier, to which his Excellency replied, that I may inform the Council officiously that Sadik Pasha, before leaving for Paris, received instructions to put himself in communication with the bondholders represented by their Committees, and that he will most likely do so in conjunction with his Excellency Musurus Pasha. This statement confirms what I announced in my previous letters, and is so far satisfactory to the bondholders.

Inclosure 3 in No. 114.

Mr. Stab to Mr. Hamond, M.P.

Constantinople, December 5, 1875.

(Extract.)

AT the same time I explained generally what was meant by Mr. Hamond's plan. The Grand Vizier was pleased with the communication, and conveyed indirectly that when a scheme is definitively settled and accepted by all parties, he will then take it into consideration.

A confidential man of the Grand Vizier, who spoke with His Highness on this subject soon after I left, tells me that if the French were equally disposed to agree to one and the same scheme with the English, the Grand Vizier will make no objection to its adoption.

I may here mention that the French have organized themselves powerfully. M. Bourré, the former French Ambassador to the Porte, has accepted the Presidency of the Committee.

I have also had a conversation with Mr. Foster, Director of the Imperial Ottoman Bank, on Mr. Hamond's scheme. Mr. Foster seems to be favourable to it.

APPLICATION of the Principle of Mr. Hamond's Scheme to the Entire Debt of Turkey, Secured and Unsecured, with the exception of the Loan of 1855, guaranteed by England and France.

Date of Issue.	Original Amount.	Present Amount.	Present Interest.	Present Sinking Fund.	Price of Issue.	Proposed 15 per Cent. extra.	Reduced Debt.	Rate of Interest.	Amount of Interest.	Sinking Fund (Accumulative).	Special Securities hypothecated.
	£	£	£	£	Per cent.	Per cent.	£	Per cent.	£	£	
6 per cent., 1854 ..	3,000,000	1,896,500	113,790	96,210	80	88	1,668,320	6	100,130	1 per cent. 16,690	Egyptian Tribute.
.. 1858 ..	5,000,000	3,716,500	222,990	127,010	Average 78	86	3,196,190	6	191,772	.. 31,962	Constantinople Customs and Octroi dues.
.. 1860 ..	2,000,000	1,638,500	98,310	42,373	62½	69	1,130,565	6	67,834	.. 11,306	Customs duties.
.. 1862 ..	5,000,000	5,082,900	304,974	332,926	68	75	3,812,175	6	228,731	2 per cent. 76,244	Tobacco, Salt, Stamps, Patents.
.. 1863 ..	8,000,000	4,946,700	296,802	513,198	Average 71	78	3,858,430	6	230,306	.. 76,770	Direct Taxes, balance of above.
.. 1865 ..	4,000,000	4,162,500	249,750	332,500	60½	72	2,997,000	6	179,820	2½% per cent. 73,197	Sheep Tax of Roumelia and Archipelago, &c.
.. 1869 ..	22,222,220	20,650,000	1,239,000	316,565	60¼	66	13,629,000	6	817,740	1 per cent. 136,290	Tithes of certain Provinces, Surplus Sheep Tax, &c.
.. 1871 ..	3,700,000	3,410,660	327,040	71,060	73	90	4,369,528	6	261,632	.. 43,605	Egyptian Tribute.
.. 1873 ..	27,777,780	27,348,360	1,640,910	383,535	58½	64	17,503,910	6	1,050,382	.. 175,050	Sundry Tithes, Vorghis and Tapou.
	87,700,000	74,852,760	4,492,816	1,968,372	..	..	52,135,818	..	3,127,953	641,925	
5 per cent. Issues, 1865-74.	84,200,000	84,200,000	4,210,000	Not applied	Various	93½	44,205,000	5	2,210,250	Not applied	No special guarantee.
	171,900,000	159,052,760	8,702,816	1,968,372	..	..	96,340,818	..	5,338,203	641,925	
9 per cent. Treasury Bonds, 1872	11,126,000	6,816,400	613,476	Repayable within next three years	98½	100	6,816,400	6	408,984	2 per cent. 136,328	Certain Tithes and Anatolian Sheep Tax.
3 per cent. Roumelian R. W. Lottery Loan, 1870	31,680,000	31,508,000	945,240	About 146,000	Various	50	15,754,000	3	472,620	say 35,000	No special guarantee.
	214,706,000	197,417,160	10,261,532	2,114,372	..	..	118,911,248	..	6,219,807	812,353	

SUMMARY.

	£
Present debt as above	197,417,160
Proposed future debt	118,911,248
Actual reduction in favour of Turkey	76,505,912

	£
Interest and Sinking Fund for same	12,375,904
Ditto ditto for future debt	7,032,160
Permanent saving of Interest and Sinking Fund ..	5,343,744

Relieving Turkey of 79,500,000*l.* of Debt, and effecting a saving of 5,300,000*l.* per annum of her revenue.

No. 115.

Lord Tenterden to Mr. Hamond, M.P.

Sir, *Foreign Office, December* 14, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of yesterday's date, inclosing a printed statement of the scheme proposed by you for the adjustment of the Ottoman Loans, and requesting his Lordship to instruct Her Majesty's Ambassador at Constantinople to give it his moral and unofficial support; and I am, in reply, to request that you will be good enough to inform Lord Derby whether this scheme is accepted by the French and other foreign bondholders, as his Lordship feels that unless the bondholders are generally agreed upon a concerted scheme, any recommendation to the Porte to give it consideration would probably be of little avail.

I am also to point out to you that the extract from the letter from Mr. Stab, which you have forwarded, merely reports that the Grand Vizier had "conveyed indirectly that when a scheme is definitively settled and accepted by all parties, he will then take it into consideration." This communication does not convey the assurance which his Lordship understood from you yesterday had been received by the bondholders, that the Porte accepted the scheme you propose.

I am, &c.
(Signed) TENTERDEN.

No. 116.

*The Earl of Derby to Sir H. Elliot.**

(No. 419.)
Sir, *Foreign Office, December* 14, 1875.

WITH reference to my despatch No. 418 of yesterday's date,† I inclose, for your Excellency's information, the accompanying Report, as published in the newspapers, of the interview I held with the Deputation of Turkish bondholders on that day.‡

I am, &c.
(Signed) DERBY.

No. 117.

*The Earl of Derby to Sir H. Elliot.**

(No. 420.)
My Lord, *Foreign Office, December* 14, 1875.

WITH reference to my other despatch of this day's date respecting the Ottoman Loans, I inclose a copy of a letter from Mr. Hamond on the subject of his scheme for their adjustment, and I have to request your Excellency to ascertain and report to me whether this scheme is accepted by the French, and, so far as you may be able to learn, by other foreign bondholders.

I inclose a copy of the reply, which I have returned to Mr. Hamond, in which I have put a similar question to him.

I am, &c.
(Signed) DERBY.

No. 118.

Mr. Franklin to the Earl of Derby.—(Received December 15.)

My Lord, *London Institution, Finsbury Circus, December* 14, 1875.

REFERRING to Lord Tenterden's letter of 10th November, in which I am invited to continue my representations in the interest of the 1862 bondholders, extending over many years, and laid by your Lordship before Parliament, I find occasion to correct some

* Identic despatch to Lord Lyons. † See No. 113. ‡ No. 112.

erroneous assumptions made by a Deputation received by your Lordship yesterday. There seems to have been three parties in that Deputation:—

1st. That claiming to intercept the Egyptian tribute, and apparently disposed to countenance any scheme of settlement with others which can be construed as acquiescence in such intercception.

2nd. Those holding bonds issued and accepted, subject to express reservations for security of previously existing bonds.

3rd. Those assuming to represent the bondholders entitled to the first fruits of special revenues designed and assigned aborigine for security of advances which had never been made except on such security, although, as now transpires, the receivership of those special revenues for account of the bondholders has been evaded.

It seems that the champion for the general and unsecured bonds declares their amount 96,000,000*l.*, and if to that be added sundry issues having only reversionary claims upon securities previously mortgaged, the spectacle is presented of an unequal combat between those banded together for exappropriation of such mortgages, and a small body, without organization, entitled to priority of payment,—a disparity of numbers supposed to be *circa* forty to one against the Anglo-Turkish bondholders of 1862.

As means for such exappropriation, sundry so-called schemes of compromise have been promulgated, more or less astutely devised, for liberating Turkey from part of the payments which she is still able and willing to make, upon condition of manipulating the compromise in favour of unsecured bonds (held largely in Turkey).

Both equity and custom, in cases of insolvency, sub-ordinate the apportionment of realizable assets to the safe custody of them. It is, therefore, worse than premature to scramble for what can best be adjudicated to dissimilar claimants, by an impartial arbitrament suitably constituted.

The mode of settlement proposed by the Porte is much more capable of equitable adjustment than any scheme yet devised by others, and pretended to be approved by indiscriminate assemblages, as explained in certain of my recent letters. Nothing can be more preposterous than to volunteer acceptances of new promises in exchange for their broken predecessors, in view of the custom of the Porte to farm revenues, and of the practicability and necessity of conferring upon us the powers to collect and retain revenues which have heretofore been exercised to our injury.

Your Lordship is relied upon to afford good counsel to the Porte in this emergency, and thereby to discountenance any device for sacrificing, for advantage of others, the just dues of bondholders exclusively British, whose funds were obtained with privity of your Lordship's predecessors and with cognizance of Parliament; whose claims to "official action, as promised," were long ago recognized, *vide* Lord Clarendon's instructions to Her Majesty's Ambassador to Turkey, 23rd October, 1869, and Mr. Otway's letter to me of same date (recently confirmed by him), and whose opportunities to obtain effective securities, when the whole charge of Turkish foreign debt was *circa* 2,500,000*l.*, were defeated by withholding until 1874 the *exposé* previously embodied in this correspondence.

I do not press for an audience, but remain at your Lordship's disposal for suggestion of remedies suited to the emergency, and have, &c.

(Signed) J. S. FRANKLIN.

No. 119.

Mr. Wilson to the Earl of Derby.—(Received December 15.)

My Lord, *Southborough, Tunbridge Wells, December* 14, 1875.

THE press informs us that a plan or scheme, which may be termed Mr. Hamond's scheme, for dealing with the indebtedness of Turkey, was submitted to your consideration yesterday. I take the liberty of offering some observations and suggestions upon it.

The individuals who advocate that scheme are large capitalists, who hold principally in the oldest loans bought at low prices, and, consequently, are quite content to throw off and give up a considerable sum of the nominal or bond indebtedness, knowing that if they can only make a portion secure to their own satisfaction they must come well out. I feel sure this proposed scheme would not meet the approval of the general holder throughou this and other countries; it is the absolute surrender of both principal and interest, which is not asked for or intended.

A strong point on the part of Turkey is that she does not seek to throw off her indebtedness, but asks for further time for half of it; but it is by the creation of an additional 35,000,000*l.* of indebtedness, and probably the same difficulties at the end of

the five years as now exist. How then can her requirements be best met, with a due regard to the interests of the bondholders?

In answer to that I submit the following:—

The investor, as distinguished from the speculator, in Turkish bonds, acquired them for the income yielded, while the latter held them mainly for the annually increasing drawings, the former, from the uncertainty, caring little for these drawings. To assist them, these the *bonâ fide* holders, and increase the value of the bond, I propose the interest be increased from the proposed half, the present, to two-thirds, taking such additional amount out of the fund which would otherwise go to pay a moiety of the drawings on the several loans.

The drawings on all the loans be suspended indefinitely, with the exception of the oldest or longest standing, to which the balance of the fund provided to meet half the drawings of the several loans, after taking from it the additional interest, from a half to two-thirds, be appropriated, and so continued until such loan be entirely paid off, when the whole fund, with its accumulations, be appropriated to the payment of the next longest standing one, and so on in rotation.

The effect of this, no doubt, would be that it would be several years before the recent loans would begin to be paid off, but the fact of the existence of a constant and rapidly increasing fund, destined ultimately to pay it off as the previous ones, would maintain and increase their value, particularly as the fund would be so large for the purpose when the time arrived.

The remaining one-third interest on the bonds I propose should be paid by a new bond, bearing 6 per cent. or 5 per cent., not for five years only, but so long as is needful to the Turkish Exchequer. The interest of such new debt annually, when confined to the one-third of interest only, would be but a light and gradually increasing weight.

Were this plan to be adopted in preference to the Hamond scheme, Turkey would be spared the degradation of paying a composition on its indebtedness to other nations, and the bondholder would not materially suffer, the value of the bonds would be maintained, the full relief required would be afforded, while the objectionable features of the Turkish Government Decree would be got rid of.

I hope I have been sufficiently explicit to place the suggested plan properly before your Lordship, and trusting you may consider it such as to be worthy your consideration, I have, &c.

(Signed) ALFRED WILSON.

No. 120.

Mr. Tagart to the Earl of Derby.—(Received December 15.)

28, *Oriental Place, Brighton, December* 14, 1875.

My Lord,

AFTER the influential deputation of Turkish bondholders received by your Lordship on Monday last, the 13th instant, it is almost in despair that I here protest against including the Treasury bonds in their scheme.

Even supposing that these bonds were intended to be included in the bonded debt, which it is evident the decree of the 7th of October did not contemplate, why should they be treated differently from the other loans? The latter are to have the same rate of interest as originally stipulated, only instead of on the nominal amount it will be on the price of issue, plus 10 per cent., but the interest on the former, or 9 per cent. bonds, is to be cut down arbitrarily by one-third, and a temporary loan converted into a permanent one.

Mr. Hamond proposes to annul the contract under which we took these bonds, at 98½ per cent., in order to present a more favourable appearance and better terms to the Sultan's Government for his whole scheme.

The only course by which I can avert the ruin that thus threatens myself and other holders of these Treasury bonds is to solicit humbly, but most earnestly, your Lordship's attention to the gross injustice of such a proposition, made as it is just six months before the first of the three payments falls due.*

I have, &c.

(Signed) COURTENAY TAGART.

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* A Bonds fall due July 1876; B, July 1877; C, July 1878.

No. 121.

Mr. Hamond, M.P., to Mr. Disraeli.—(Received December 16.)

Westminster Palace Hotel, December 13, 1875.

Sir,

I HAVE the honour to submit to your notice a scheme I have proposed for a settlement of the Turkish Debt, agreed to by all classes of bondholders, by which we give up to the Porte 78,000,000*l.* sterling of debt, and effect a saving of 5½ millions a-year of her revenue, besides precluding the necessity of the further issue of 35,000,000*l.* of bonds, and a consequent 2,000,000*l* a-year interest upon them.

All the bondholders have assented to this great and generous gift being offered to the Porte. The Ministers at Constantinople are favourable to it, and as Chairman of the General Committee of Bondholders, representing loans to the amount of 170,000,000*l.* sterling, I have asked Lord Derby to use his good offices, unofficially, to help to carry out a proposal so immensely beneficial to the future interests of the Porte.

It is of the greatest importance that the dividends payable in January should be paid under this scheme. May I ask, then, your good offices with Lord Derby that a telegram should be sent to our Ambassador at Constantinople to support the same, as time is of the greatest moment.

Trusting you will excuse the liberty I have taken, I have, &c.,

(Signed) CHAS. FRED. HAMOND.

No. 122.

Mr. Carter to the Earl of Derby.—(Received December 16.)

Fern Bank, Kidbrooke Grove, Blackheath, S.E., December 15, 1875.

My Lord,

I TAKE the liberty of placing before you the two inclosed calculations, to show you the injustice of Mr. Hamond's scheme for the Turkish debt. My Lord, I am interested in the 1869 Loan, and I ask you, my Lord, to protect me against this gross injustice. The 1873 and the 1865 Five per cent. Loans are even worse treated than the 1869 Loan.

Mr. Hamond, after having received 1,180*l.* on each 680*l.* invested, asks you to support a policy which will take from the 1869 bondholders 340*l.* of principal, and 20*l.* 8*s.* 4*d.* of annual interest, and asks that the 1862 bondholders shall sacrifice no more than 150*l.* of principal, and 9*l.* of annual interest in every 1,000*l.* I may also say, my Lord, I was on the Committee of the 1865 Five per Cent. Loan, and every hand was held up for the Decree of the 6th October, with the exception of the Chairman's, Mr. Guedalla; how he has fulfilled his trust I leave you, my Lord, to judge. He was delegate in right of being Chairman of the 1865 Loan at the deputation.

I think, my Lord, you would do well to inquire who those persons are who call themselves "the Council of Foreign Bondholders."

Moreover, my Lord, if Mr. Hamond's scheme be carried out, is it not a notice to Spain that she may pay 3 per cent., or 30*l.* and no more, instead of 100*l.*?

I am, &c.

(Signed) ROGER CARTER.

Inclosure 1 in No. 122.

Loan of 1862.

(Four-tenths of this Loan has been drawn).

	£	s.	d.			£	s.	d.	
Issued at ..	68	0	0	..	Interest ..	6	0	0	As it is.
To be paid off ..	75	0	0	..	.. ..	4	10	0	As Mr. Hamond's scheme will make it.

Loss on interest—
1*l.* 10*s.* × 6 = 9*l.* on each 1,000 stock.

Loss on principal—
25*l.* on each 100*l.* stock, or 150*l.* on each 1,000*l.* stock.

This stock has received 13 years' interest, or 780*l.* on each 680*l.* invested
Four bonds drawn and paid off at 100*l.*, equal to 400*l.*+780*l* = 1,180*l.*
And 6 bonds of 100*l.* each in hand.

Inclosure 2 in No. 122.

Loan of 1869.

	£	s.	d.			£	s.	d.	
Issued at ..	60	10	0	..	Interest ..	6	0	0	As it is.
To be paid off ..	66	0	0	..	" ..	3	19	2	As Mr. Hamond's scheme will make it.

Loss on interest—
2*l.* 0*s.* 10*d.* × 10 = 20*l.* 8*s.* 4*d.* on each 1,000*l.* stock.

Loss on principal—
34*l.* on each 100*l.*, or 340*l.* on each 1,000*l.* stock.

Only a fraction of this stock is drawn, not 50*l.* on each 1,000*l.* stock.

No. 123.

Lord Lyons to the Earl of Derby.—(*Received December* 17.)

(No. 1,020.)

Paris, December 16, 1875.

My Lord,

I HAD this morning the honour to receive your Lordship's despatch No. 771 of the day before yesterday,* in which you direct me to ascertain and report to you whether Mr. Hamond's scheme for the adjustment of the Ottoman Loans is accepted by the French bondholders.

M. Bourée, the President of the French Committee, to whom I have put the question, has answered that certainly that scheme is not accepted by the French bondholders as it stands, and he has allowed me to send to your Lordship a copy of a letter in which he has expressed his sentiments on the subject to Mr. Otway.

He tells me that the Committee of French Bondholders will not hold its first formal meeting until Sunday next, the 19th instant, but that he is persuaded that it will concur in the views stated in the letter to Mr. Otway.

I hasten to forward your Lordship a copy of the letter, but I have not time to read it myself before sending off this despatch.

I have directed M. Bourée's attention to the reports in the newspapers of the interview which a deputation from the English bondholders had with your Lordship on the 13th instant.

I have, &c.
(Signed) LYONS.

Inclosure in No. 123.

Mr. Bourée to Mr. Otway.

Paris, le 11 *Décembre*, 1875.

Cher Monsieur,

JE rends tout hommage à la sagucité qui a inspiré le projet de Mr. Hamond, et ce n'est pas sans un sincère regret que je me crois obligé de formuler des objections qui serait peut-être de nature, je l'espère, à provoquer le perfectionnement et non l'abandon de c remarquable travail.

Je suis très convaincu, comme Mr. Hamond, que l'intérêt des créanciers de la Turquie et celui de la Turquie elle-même sont que celle-ci renonce à élever le chiffre de sa dette, et je tiens pour également nuisibles les emprunts proprement dits et celui qui résulterait de la création de titres qu'aurait remis la Porte à ses créanciers pendant cinq ans, jusqu'à concurrence de 800,000,000 fr.

Il n'est que trop clair en effet que si la Turquie est hors d'état de satisfaire aujourd'hui un service d'une dette de 182,293,850 livres sterling, elle ne sera pas mieux en mesure après cinq ans de servir les intérêts d'une dette de 217,993,850*l.* sterling.

Ce n'est pas à des esprits familiarisés avec l'état actuel de la Turquie qu'il faut parler de réformes timides ; ce terme ne peut leur être offert, car depuis la mort d'Ali Pacha et de Fuad Pacha, ils savent trop que parmi les hommes d'État qui les promettent, il en est beaucoup auxquels on ne saurait reconnaître ni l'énergie qui exécuterait ces réformes, ni même l'aptitude à les concevoir. Je n'en adhère que plus à ce principe qu'il importe de trouver un arrangement qui empêche l'accroissement de la dette Turque pendant les cinq premières années, et surtout l'émission des 800,000,000 de francs ou 35,000,000 de livres

* See No. 117.

Turques, mais de là à consentir à une énorme réduction du capital de la dette, il y a très loin, et je pense que les deux idées ne sauraient être confondues.

Mes raisons pour contenter le maintien du capital de la dette Turque sont de nature diverse.

1. On ne doit pas une récompense, une prime d'encouragement au gaspillage, au désordre, à la mauvaise administration, aux dépenses improductives, au dédain des intérêts vitaux des populations. Or, tels sont les défauts qui ont amené en grande partie l'état de choses actuel ; les insurrections que le Sultan avait à réprimer périodiquement ont fait le reste.

2. On ne doit pas se désarmer par une concession énorme, fut-il possible de la faire accepter aux porteurs de titres, parceque ce serait renoncer de gaité de cœur à des moyens de persuasion et de coercition utiles pour combattre dans l'avenir, et demain peut-être, des abus séculaires, et pour empêcher les Turcs de s'endormir dans la sécurité qui leur serait faite et de puiser dans l'allègement même de leurs charges, des dispositions plus grandes à satisfaire ces goûts de désordre qui semblent entrer à l'administration des Sultans.

Cette crainte n'est que trop fondée, c'était à Constantinople une observation banale que tous les emprunts donnaient lieu à une recrudescence de prodigalité ; il serait donc extraordinaire que le même phénomène ne caractérisât pas l'ère dans laquelle nous allons entrer, le don de deux milliards de francs ne la rendrait que plus dangereuse. Son enregistrement par les Turcs serait pour eux le plus clair du système de M. Hamond, car le bénéfice de cette prodigieuse concession leur serait acquis, quoiqu'ils fassent ultérieurement et quoiqu'il doive arriver.

Une considération d'un autre ordre me paraît s'imposer aux comités obligés à plus de prévoyance que les créanciers mêmes dont ils étudient et protègent les intérêts ; une autre considération, dis-je, doit nous conduire à ne pas accepter, moins encore à provoquer, la réduction du capital de la dette Turque. Cette considération se rattache à ce qu'a d'aléatoire (*sic*) l'avenir de la Turquie.

Soit par suite d'événements qu'auraient créés les entraînements de l'ambition, soit par le concours de circonstances plus fortes que la sagesse humaine, des provinces dont les révenues ont été donnés en gage peuvent être détachées de l'Empire, l'Empire Ottoman lui-même peut changer de maîtres, et par suite les créanciers, les uns avec les droits très-définis, les autres avec des garanties plus générales, seraient placés pleinement ou partiellement dans un état de choses nouveau devant un débiteur nouveau. Il suffit que cette hypothèse ne soit pas chimérique, et qui oserait la qualifier ainsi ? pour que le devoir des Comités soit de lui donner place dans leurs travaux et de n'admettre, en vue de si graves éventualités, aucune réduction du capital dû par la Porte, les concessions à faire à ses embarras, à son impuissance, ne devant porter que sur les intérêts et devant avoir un caractère essentiellement temporaire au besoin renouvelable.

Je veux répondre en passant à un scrupule qui serait dans l'esprit du lecteur, et qui semble être à l'état latent dans le système de M. Hamond.

L'intérêt à 10 ou 12 pour cent auquel la Porte emprunterait à l'Europe était, pourrait-on ce dire, excessifs ; mais ce taux est légal en Turquie, comme il l'est en Algérie, où il est journellement alloué par les Tribunaux Français. L'événement a prouvé qu'il est en rapport avec les choses, ce qui n'est pas un motif pour que les intéressées ne défendent pas leurs droits comme aussi bien fondés que celui sur lequel en France s'appuierait un créancier contre le débiteur dont il consentirait à réduire les redevances sans se croire obligé à proposer ou à accepter une réduction dans le capital même.

Me résumant, je voudrais que M. Hamond, avec son incontestable abilité, recherchât une combinaison qui laisserait le capital de nos créances intact, empêcherait la Turquie de contracter des emprunts nouveaux et mettrait à même le projet de créer 800,000,000 de titres, tout en conservant le reste de son système.

J'ai dû me demander si le présent de deux millions de francs que M. Hamond propose de faire à la Turquie ne serait pas dans sa pensée le prix de concession difficile, qu'elle n'accorderait pas sans ce sacrifice. L'examen m'a démontré que si ce calcul avait été fait, il n'avait eu que l'apparence de la justesse.

En effet, qu'elles sont dans le projet que j'étudie les désidérata des porteurs de titres :—

1. La sérieuse garantie que donnerait un Syndicat surveillant à Constantinople, et sur les principaux points de l'Empire, les revenues affectés au service réduit de la dette.

2. Un revenu plus considérable aux dépens des fonds d'amortissement devenu plus lent.

La Porte appelle de tous ses vœux la formation du Syndicat, et nous l'obtiendrons aussi efficace que possible. En dédaignant les dénominations blessantes nous nous attachons à l'essential aux attributions.

La Porte à le plus grand intérêt à s'exécuter complétement, car la renaissance de son crédit est à ce prix.

Quant à la seconde demande adressée à la Porte, on ne voit pas pourquoi elle ferait pierre d'achoppement.

Pourquoi dès lors, au mépris de considérations développées plus haut, acheter un titre honoreux et très chèrement ce qu'on aurait à titre gratuit.

Avant de terminer cette lettre je crois remplir un devoir en répétant combien je critique à regret un travail excellent que j'aurais tenu pour absolument applicable si la Turquie était un pays Européen momentanément écrasé par ses charges et devant inspirer par son désir de se réformer et son énergie, une confiance entière, si enfin l'avenir de ce pays n'était pas constamment menacé. Il n'en est pas ainsi de l'Empire qui nous occupe. Ces réflexions sont inspirées par une longue expérience de l'Orient, ce sera peut-être pour M. Hamond une raison de les accueillir, c'est au moins mon excuse de les avoir si longuement exposées.

Agréez, &c.
(Signé) BOURÉE.

No. 124.

Mr. Hamond, M.P., to the Lord Tenterden. -(*Received December* 17.)

Newcastle-on-Tyne, December 16, 1875.

My Lord,

YOUR letter of the 14th has been forwarded to me here, where I have been unexpectedly called until Friday. I deeply regret this delay occasioned, by your further inquiries, and had hoped that the Deputation had clearly placed before Lord Derby whom they represented and the object they had in view.

The Deputation represented all classes of English Bondholders excepting the 1854 and 1871 Loans, and even to a great extent those of the 1854 Loan, as witness Sir Alfred Slade, and they presented a scheme to his Lordship, which every class of English bondholders had consented to and accepted, by Messrs. Dent, Palmer, and Co.'s Committee.

His Lordship was further informed by Mr. Henry Guedalla, Chairman of the Committee representing the General Loan of 1865, that the French papers received that morning had praised the scheme and recommended it for adoption, and I may remark it was impossible to concert a scheme with the French bondholders until we on this side had agreed upon one to present to them, they having waited the action of the English in this matter; and we only ask Lord Derby's good offices as the English Minister to support unofficially English views, and it will be left to the English and French Committees to take joint action, of which there is not much doubt, as the French press still support the scheme, having now all the details of the same in their possession.

I would respectfully submit that if the two extracts from Captain Stah's letter are carefully read, they will strictly bear out what I stated to Lord Derby in our interview, namely, "that the Ministers of the Porte looked favourably upon the scheme," and if presented by English and French Bondholders "it would be accepted," and I regret much that Lord Derby should have misunderstood anything I said, for if the Porte had accepted the scheme I propose, there would have been no necessity for the bondholders to have troubled his Lordship in the matter. All we ask is for the moral and unofficial support of England's Minister to support our English proposition, the only one in existence, and we believe most firmly, from expected advices from Constantinople, that this scheme when presented to the Porte by the English and Foreign bondholders, will be as cordially and frankly accepted by them in the same spirit in which it is offered.

I feel with deep concern that it is rather hard, when, after complying so readily with Lord Derby's suggestion in making an application in writing, that still further delays are taking place, when such a different course was taken at the Foreign Office on a mere verbal application made, as I understood, by Admiral Eden, on the day of the 7th, when, without requesting him to put his request in writing, or even inquiry made as to whom he represented, immediate action was taken on his mere verbal proposal, and Lord Lyons communicated with as quickly as possible, not even the question asked him, as it is of myself, whether "the English and French Committees had concerted a scheme."

I must really press this matter upon the best attention of Lord Derby. I repeat what I told him, that a day's delay may be alike fatal to the Porte and to its bondholders. I earnestly and most respectfully ask his prompt decision, but should he treat with indifference the welfare and future interests of the Turkish Empire, and the wishes of a united

Committee so largely representing English bondholders, then, surely, it is not to much to ask Lord Derby for letters to the Ambassadors of England at Paris, Vienna, and Constantinople, and also Sadyk Pasha, to be given me simply as a Member of the House of Commons, but stating I am the gentleman alluded to in the scheme.

I hope to be at the Westminster Palace Hotel on Saturday, and as I have to leave London on Monday for Paris, may I ask for your Lordship's reply to be sent to the above address.

I have, &c.
(Signed) CHAS. FRED. HAMOND.

No. 125.

Lord Tenterden to Mr. Hamond, M.P.

(Telegraphic.) *Foreign Office, December* 17, 1875.

YOUR letter of yesterday received and forwarded to Lord Derby, and his directions requested by telegraph, as he is at Edinburgh.

No. 126.

Mr. Lister to Mr. Hamond, M.P.

Sir, *Foreign Office, December* 18, 1875.

IN reply to your letter of the 16th instant, I am directed by the Earl of Derby to inform you that his Lordship has instructed Her Majesty's Ambassadors at Constantinople and Paris, by telegraph, to render you such unofficial assistance as they properly can in submitting your scheme for the adjustment of the Ottoman Debt to the consideration of the Porte, either at Paris, through Sadyk Pasha, or at Constantinople.

I am to add that his Lordship has received several representations on the part of bondholders adverse to the scheme, and has also learned that M. Bourée, the President of the French Committee, is unfavourable to it.

I have, &c.
(Signed) T. V. LISTER.

No. 127.

*The Earl of Derby to Lord Lyons.**

(Telegraphic.) *Foreign Office, December* 18, 1875, 2·30 P.M.

MR. HAMOND, the author of the scheme for the adjustment of the Ottoman Debt accepted by a number of the British bondholders, is going to Paris and Constantinople.

Render him such unofficial assistance as you properly can in submitting his scheme for the consideration of the Porte through Sadyk Pasha.

No. 128.

The Earl of Derby to Lord Lyons.

(No. 784.)

My Lord, *Foreign Office, December* 18, 1875.

WITH reference to my despatches Nos. 769, 770, and 771 of the 13th and 14th instant, and to my telegram of the 18th instant, on the subject of Mr. Hamond's scheme for the adjustment of the Ottoman Loans, I transmit to your Excellency herewith, for your information, a copy of a further letter which I have caused to be addressed to that gentleman on the same question.

I am, &c.
(Signed) DERBY.

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* Identic telegram to Sir H. Elliot.

No. 129.

*Mr Lister to Mr. Franklin.**

Foreign Office, December 18, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 14th instant, respecting Mr. Hamond's scheme for dealing with the various Ottoman Loans.

I am, &c.
(Signed) T. V. LISTER.

No. 129*.

Mr. Rowlands to the Earl of Derby.—(Received December 20.)

19, *Arundel Gardens, Kensington Park Road, W., December* 18, 1875.

My Lord,

I TAKE the liberty of inclosing some papers which I have written on the Turkish default. Very humbly, I beg to say I do not think English journalists have looked at the principle involved in accepting Mr. Hamond's scheme in the right light. Acting on his mistaken theory, every country (our own included) might consider it had borrowed on disadvantageous terms, and must endeavour to have them revised.

To admit a principle that a debt has not been honestly accumulated, or raised on usurious terms, opens up a very serious question, for the taxed may argue, the nation never had the real value of the debt, and there is a class in almost every country which, having nothing to lose, would always welcome repudiation.

Every country, like a young spendthrift, seems never to stop until it has accumulated a huge national debt, after which comes the age of discretion, but posterity has to suffer, and fulfil the engagements which have arisen from the extravagance, or it may be the misfortune, of former years.

I have, &c.
(Signed) CHRIS. ROWLANDS.

No. 130.

Mr. Hyde Clarke to the Earl of Derby.—(Received December 21.)

Council of Foreign Bondholders, 10, Moorgate Street, London, E.C., December 20, 1875.

My Lord,

I AM instructed to inform you that the Commissioners for the Ottoman Loans of 1858 and 1862, acting under the Convention of 1873, have this day appointed Mr. H. A. Withers, one of their members, to act as Commissioner for these loans, in conjunction with Mr. C. F. Hamond, M.P., Commissioner for the General Committee of Turkish Bondholders.

Mr. Withers proceeds to-morrow to Paris, accompanied by Mr. C. A. Ewart, one of the Assistants of the Council of Foreign Bondholders, to negotiate there with his Excellency Sadyk Pasha.

I am therefore desired to request of your Lordship the favour of recommending these gentlemen to the kind offices of Her Majesty's Ambassador in Paris, should the occasion arise for their applying to his Excellency.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

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* Similar letters were addressed to Mr. Wilson and Mr. Tagart.

No. 131.

The Earl of Derby to Lord Lyons.

(No. 790.)

Foreign Office, December 21, 1875.

My Lord,

WITH reference to my despatch No. 784 of the 18th instant, and to previous correspondence respecting Mr. Hamond's scheme for the adjustment of the Ottoman loans, I transmit herewith, for your Excellency's information, a copy of a further letter which I have received from Mr. Hamond on this subject.*

I am, &c.
(Signed) DERBY.

No. 132.

The Earl of Derby to Lord Lyons.

(No. 791.)

Foreign Office, December 21, 1875.

My Lord,

WITH reference to my despatch No. 771 of the 14th instant,† and to previous correspondence, respecting the steps now being taken at Paris by the Committees of the Bondholders of the various Ottoman Loans, for the purpose of coming to some arrangement with the Porte on this subject, I now inclose to your Excellency a copy of a letter from Mr. Hyde Clarke, stating that the Commissioners of the Loans of 1858 and 1862 have appointed Mr. H. A. Withers, who is to proceed to-day to Paris, accompanied by Mr. C. A. Ewart, and who is one of their members, to act as Commissioner for those loans, in conjunction with Mr. C. F. Hamond, the Commissioner for the General Committee of Turkish Bondholders, and who will negotiate with Sadyk Pasha in Paris.

I have to request that your Excellency will give Mr. Withers and Mr. Ewart such unofficial assistance as you can properly afford them, and of which they may stand in need, in prosecuting the object of their mission to Paris.

I inclose for your Excellency's information copies of a correspondence laid before Parliament respecting the Ottoman Loans of 1858 and 1862, in pages 1 and 2 of which you will find a copy of the Convention of 1873 referred to in Mr. Hyde Clarke's letter.

I am, &c.
(Signed) DERBY.

No. 133.

Lord Tenterden to Mr. Hyde Clarke.

Foreign Office, December 21, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 20th instant referring to the appointment of Mr. H. A. Withers, by the Commissioners of the Loans of 1858 and 1862, to proceed to Paris, accompanied by Mr. C. A. Ewart, to act as Commissioner for those loans, in conjunction with Mr. C. F. Hamond, and to negotiate there with Sadyk Pasha.

I am to inform you that a copy of your letter will be forwarded this evening to Her Majesty's Ambassador at Paris, with instructions to afford to Mr. Withers and to Mr. Ewart such unofficial assistance as he can properly give them, and of which they may stand in need.

I am, &c.
(Signed) TENTERDEN

No. 134.

Lord Lyons to the Earl of Derby.—(Received December 22.)

(No. 1,035.)

Paris, December 21, 1875.

My Lord,

WITH reference to my despatch No. 1,020 of the 15th instant, I have the honour to inform your Lordship that M. Bourée called upon me this afternoon and told me that the

* No. 124.

† See No. 117.

French Committee had held its first formal meeting the day before yesterday, and had unanimously rejected Mr. Hamond's scheme for the adjustment of the Ottoman Loans.

He said that a new scheme was being prepared on the part of the French, to be submitted to the Committee at its next meeting, which would be on Friday next, the 24th.

He added that he should be ready to communicate this French scheme to the English Committee as soon as it had been settled by the French Committee; and he expressed an earnest hope that no proposals would be made to the Porte until time had been given for the French and English bondholders to come to an understanding on the subject.

I have, &c.
(Signed) LYONS.

No. 135.

*Lord Tenterden to Mr. Carter.**

Foreign Office, December 22, 1875.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 15th instant respecting Mr. Hamond's scheme for dealing with the Ottoman Debt.

I am, &c.
(Signed) TENTERDEN.

No. 136.

Lord Lyons to the Earl of Derby.—(Received December 23.)

(No. 1,038.)

Paris, December 22, 1875.

My Lord,

MR. HAMOND called upon me this afternoon, in company with Mr. Guedalla and Mr. Withers, and was so good as to give me explanations respecting his scheme for the adjustment of the Ottoman Loans, and to read to me communications which he had received from Captain Stab, his agent at Constantinople.

I observed to Mr. Hamond that the scheme, so far as I understood it, appeared to me to be so generous towards the Turks, that it was hardly possible that it should, at the first blush, be viewed otherwise than with favour by the Ottoman Statesmen to whom it had been submitted. I added, however, that with a view to the ultimate success of any scheme at Constantinople, it seemed to me to be of primary importance that it should be accepted by the French and other foreign bondholders as well as by the English.

I proceeded to tell Mr. Hamond what M. Bourée said to me yesterday, as I had the honour to report it to your Lordship in my despatch No. 1,035 of yesterday; and I pointed out that while the French Committee had rejected Mr. Hamond's scheme as it stood, they were preparing a scheme of their own, and had expressed their readiness to communicate it to the English Committee as soon as it was settled.

I observed that, things being in this situation, it was for Mr. Hamond to consider whether it would be advisable for him to seek an immediate interview with Sadyk Pasha, or first to enter into communication with the French Committee, and endeavour to come to an understanding with them.

For my own part, I said, I was extremely desirous of being of service to him, within the limit of my instructions, which, as he knew, did not authorize me to support his scheme in itself, but simply directed me to render him unofficial assistance in submitting it for the consideration of the Porte through Sadyk Pasha.

After some further conversation Mr. Hamond decided upon calling upon M. Bourée this afternoon, as a first step, and deferring for the moment opening communications with Sadyk Pasha.

I have, &c.
(Signed) LYONS.

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* Similar letter to Mr. Rowlands.

No. 137.

Mr. Hyde Clarke to the Earl of Derby.—(Received December 23.)

Council of Foreign Bondholders, 10, Moorgate Street, London, E.C., December 22, 1875.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's letter of the 21st instant, stating that instructions have been forwarded to Her Majesty's Ambassador at Paris, as requested in our letter of the 20th instant.

I am requested further by the Commissioners for the Ottoman Loans of 1858 and 1862 to inform your Lordship that Mr. Stab, their agent in Constantinople, has been appointed Commissioner in Constantinople, to act in co-operation with Mr. Hamond, and to request that your Lordship will ask Her Majesty's Ambassador at Constantinople to extend to Mr. Stab the same kind offices which have been given to the other Commissioners.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 138.

Lord Lyons to the Earl of Derby.—(Received December 14.)

(No. 1,040.)

Paris, December 23, 1875.

My Lord,

MR. HAMOND called upon me again to-day, bringing with him Mr. Guedalla, Mr. Withers, and Mr. Ewart. He told me that he and his companions had had an interview yesterday with M. Bourée, but that it had not inspired them with any great hope that they should be able to come to an agreement with the French Committee.

M. Bourée had, he said, so far concurred with the English scheme as to object strongly to the issue by Turkey of the additional paper for the payment of the half interest, but he rejected altogether the most essential feature of the scheme, that is to say, the reduction of the nominal capital of the Turkish debts. M. Bourée had, however, promised to communicate to him a French counter-scheme after the meeting of the French Committee the day after to-morrow.

Mr. Hamond went on to say that if he found there was no probability of his being able to come to an agreement with the French, he should go on to Constantinople and recommend his own scheme to the Ottoman Ministers. If, owing to the dissent of the foreign bondholders, or to any other cause, his scheme should not be adopted, he should be disposed to recommend the English to abide by the original arrangement made by the Porte when it announced the repudiation of the half interest, and not to ask for any change.

Mr. Hamond said he was anxious to see Sadyk Pasha as soon as possible, in order to ascertain what hope there was of carrying on the negotiation with him here, and he asked me for a letter of introduction to him.

I accordingly gave him the unofficial letter of which I inclose a copy. Your Lordship will see that it is in the exact terms of your Lordship's instruction directing me to afford Mr. Hamond unofficial assistance in submitting his scheme for the consideration of the Porte through Sadyk Pasha.

Mr. Hamond mentioned that it was stated in the London newspaper, "World," that Mr. Otway was going to Constantinople to represent the French, Italian, and other foreign bondholders.

I have, &c.
(Signed) LYONS.

Inclosure in No. 138.

Lord Lyons to Sadyk Pasha.

(Officieuse.)

Paris, le 23 Décembre, 1875.

M. l'Ambassadeur,

JE viens, d'une manière toute officieuse, recommander au bienveillant accueil de votre Excellence, M. Charles Frédéric Hamond, membre du Parlement Anglais, qui désireuit avoir l'honneur de soumettre par votre entremise à l'appréciation de la Sublime Porte un projet d'arrangement relatif aux Emprunts Ottomans.

En vous priant officieusement de vouloir bien permettre à M. Hamond de vous entretenir de cette affaire, je m'empresse, &c.

(Signé) LYONS.

No. 139.

Sir H. Elliot to the Earl of Derby.—(Received December 24.)

(Telegraphic.) *Constantinople, December 24, 1875, noon.*

THE following telegram was received this morning from Mr. Staniforth :—

"Projected mission Hamond absolutely unauthorized; self-assumed. Otway's position Agent-General for all loans remains unchanged. I probably join him as Joint Commissioner. General meeting next week protesting against unauthorized action Hamond and group. Oblige me by making this known. Utmost importance."

I write post Staniforth. I shall not communicate it to the Porte without instructions from your Lordship.

No. 139*.

Lord Lyons to the Earl of Derby.—(Received December 25.)

(No. 1,044.)

My Lord, *Paris, December 24, 1875.*

BY Mr. Foster, of the Foreign Office, who has passed through Paris to-day in charge of despatches for Constantinople, I have sent to Sir Henry Elliot copies of my despatches to your Lordship, Nos. 1040 and 1038 of yesterday and the day before, relative to Mr. Hamond's visit to this place, in connection with his scheme for the adjustment of the Ottoman loans.

I have, &c.

(Signed) LYONS.

No. 140.

Mr. Walne to the Earl of Derby.—(Received December 27.)

My Lord, *Hôtel des Anglais, Nice, December 22, 1875.*

WITH reference to the inclosed extract from the "Times" of Monday the 20th instant, I have the honour to represent to your Lordship that, so far as concerns the Ottoman Loan of 1854, Mr. Charles Hamond, M.P. has no authority to represent the bondholders; his whole scheme implies a misrepresentation and sacrifice of their interests for the benefit of other loans not equally well secured.

When, in 1854, at the suggestion of Her Majesty's Government, British subjects lent their money to the Porte, they did so with the full assurance that the tribute of Egypt, "irrevocably" assigned, was an excellent security, as no doubt it was, and still is. The circumstance of the British and French Governments taking in the following year a second lien on that security, was a sufficient inducement for trustees and others to purchase the 1854 bonds, till very recently, at a high premium.

The holders of the 1854 Loan argue very fairly that the British and French Governments cannot, as trustees of public money, give up such a security as the Egyptian tribute, on which, by the tripartite Convention of 1855, they hold a lien for that portion of "the annual amount of the tribute of Egypt which remains over and above the part thereof appropriated to the first loan;" and that, whilst maintaining their rights on that second lien, they cannot honestly receive any portion of the annual proceeds till the preference claims of the 1854 Loan have been fully met.

After consulting on this matter with the Chairman of the Council of Foreign Bondholders, who agrees with me, and looking to the equitable bearings of the case, I see no reason why the Ottoman 1854 Loan should not be paid as heretofore, without any abatement whatever. In the interest of others as well as myself, I may be permitted to express a hope that your Lordship will not sanction, or give even unofficial support to, that part of Mr. Hamond's scheme which is calculated to deprive the 1854 bondholders of any portion of their rights. A worse precedent could scarcely be established.

I am, &c.

(Signed) ALFRED S. WALNE.

Inclosure in No. 140.

Extract from the "Times" of December 20, 1875.

THE TURKISH DEBT.—Lord Derby has instructed the English Ambassadors at Constantinople and Paris, by telegraph, to render to Mr. Charles Hamond, M.P., such unofficial assistance as they properly can in submitting his scheme for the adjustment of the Ottoman debt to the consideration of the Porte, either at Paris, through Sadyk Pasha, or at Constantinople. Mr. Hamond leaves London this evening for Paris.

No. 141.

Lord Lyons to the Earl of Derby.—(Received December 28.)

(No. 1,053.)

My Lord, *Paris, December 27, 1875.*

I HAVE the honour to transmit to your Lordship a copy of a letter which I received yesterday from Mr. Hamond, and from which it would appear that Sadyk Pasha has forwarded to the Porte Mr. Hamond's plans for the adjustment of the Turkish Loans, and has expressed himself favourably towards it.

In answer to Mr. Hamond's request for an introduction to the Duc Decazes, I sent him the private letter to the Duke of which a copy is inclosed.

M. Bourée called upon me yesterday afternoon and said that he was very sorry that he had been too late by a few minutes for the appointment he had made with Mr. Hamond. He had, however (he told me), since received intelligence from Constantinople that Mr. Hamond had already formally communicated his scheme to the Porte through Captain Stab. He considered that this seemed to put an end to all idea of an accord between the French Committee and Mr. Hamond, and he had (he said) written to Mr. Hamond to say so.

M. Bourée stated, moreover, that he had had an interview with Mr. Staniforth, who had (if I understood him right) come to Paris to oppose Mr. Hamond's scheme on the part of Mr. Palmer. M. Bourée added that Mr. Palmer was coming over to Paris himself for the same purpose, and was to arrive the next day (that is, to-day).

In the afternoon the Duc Decazes mentioned the subject of the Ottoman Loans to me. He had not yet seen Mr. Hamond, but he appeared to have some knowledge of the scheme, and to look upon it as open to several objections. He said that it had been reported to him that it was not certain that the Porte would be able to pay the dividend due on the 1st January.

In answer to inquiries from the Duc Decazes and M. Bourée, I told them that I had been instructed by your Lordship to give such unofficial assistance as I properly could to Mr. Otway, to Mr. Hamond, and to some other gentlemen, but that I had received no instructions respecting the merits of any particular scheme.

I have, &c.

(Signed) LYONS.

Inclosure 1 in No. 141.

Mr. Hamond, M.P., to Lord Lyons.

Dear Lord Lyons, *Grand Hotel, December 25, 1875.*

I KNOW you will excuse my writing you on Christmas Day, but having had, as I told you, to wait upon M. Bourée to-day, we kept our appointment, but we did not find M. Bourée in, although it was his own arrangement.

My object at present is to ask your Lordship kindly to give me a *pro formâ* letter of introduction to the Duc Decazes, merely stating who I am, as I wish to explain to him the scheme.

I have to express to your Lordship my great sense of your kindness and courtesy, and I shall have much pleasure in waiting upon you before my departure for Constantinople, the date of which I shall have pleasure to acquaint you.

I may acquaint your Lordship further that I had every reason to be satisfied with the result of our interview with Sadyk Pasha, who pronounced the scheme "fair, just, and generous, and, like everything coming from England, quite practicable."

Since then his Excellency has forwarded to his Government, not only the scheme, but expressed himself favourably towards it.

Believe me, &c.
(Signed) CHARLES. F. HAMOND.

Inclosure 2 in No. 141.

Lord Lyons to the Duc Decazes.

(Private.)
Paris, December 26, 1875.
My dear Duke,

WILL you allow me to introduce to you Mr. Charles Frederic Hamond, M.P., who is desirous of having the honour of an interview with you.

Believe me, &c.
(Signed) LYONS.

No. 142.

The Earl of Derby to Lord Lyons.

(No. 808.)
Foreign Office, December 28, 1875.
My Lord,

I HAVE received your Excellency's despatch No. 1,038 of the 22nd instant, reporting what had taken place at an interview which you had on that day with Mr. Hamond on the subject of the adjustment of the Ottoman Loans, and I approve of the language which your Excellency held to Mr. Hamond on that occasion.

I have, &c.
(Signed) DERBY.

No. 143.

Lord Lyons to the Earl of Derby.—(*Received December* 29.)

(No. 1,055.)
Paris, December 28, 1875.
My Lord,

SADYK PASHA, the new Ottoman Ambassador, paid his first visit to me this afternoon.

He spoke of the Ottoman Loans, and said that Mr. Hamond had explained his scheme to him, had dwelt upon the desire of the British bondholders to make liberal arrangements for the advantage of Turkey, and had admitted that the bondholders had in times past taken undue advantage of the necessities of the Porte.

Sadyk Pasha went on to tell me that he had thanked Mr. Hamond, but had expressed an opinion that it would be difficult for the Porte to alter the arrangements it had already made.

Sadyk Pasha said further that he had received a letter from M. Bourée, stating that the French bondholders dissented from Mr. Hamond's scheme.

His Excellency told me, in conclusion, that for his own part he had entirely given up his old financial occupations, and that his present mission to France was altogether unconnected with financial matters.

I have, &c.
(Signed) LYONS.

No. 144.

Lord Tenterden to Mr. Hyde Clarke.

Sir,
Foreign Office, December 29, 1875.

IN compliance with the request contained in your letter of the 22nd instant, I am directed by the Earl of Derby to inform you that instructions will be sent to Her Majesty's Ambassador at Constantinople to give Mr. Stab such unofficial support as he properly can, but in no case can Her Majesty's Government undertake to support him officially.

I am, &c.
(Signed) TENTERDEN.

No. 145.

Lord Tenterden to Mr. Walne.

Sir,
Foreign Office, December 29, 1875.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 22nd instant, objecting to Mr. Hamond's scheme for the adjustment of the Ottoman Loans question.

I am, &c.
(Signed) TENTERDEN.

No. 146.

The Earl of Derby to Sir H. Elliot.

(No. 444.)
Foreign Office, December 29, 1875.
Sir,

I TRANSMIT to your Excellency a copy of a letter from Mr. Hyde Clarke,* stating that Mr. Stab, the agent of the bondholders of the Ottoman Loans of 1858 and 1862, has been appointed Commissioner in Constantinople to act in co-operation with Mr. Hammond; and I have to instruct you to give Mr. Stab such unofficial support as you may think proper, but in no case can Her Majesty's Government undertake to support him officially.

I am, &c.
(Signed) DERBY.

No. 147.

Sir H. Elliot to the Earl of Derby.—(*Received December* 31.)

(No. 857.)
Constantinople, December 24, 1875.
My Lord,

THE telegram, of which the copy is herewith inclosed, was received this morning from Mr. Staniforth, addressed to Mr. Hughes, with whom he was formerly intimate.

Until instructed by your Lordship, I shall abstain from taking any step in regard to either of the groups of bondholders, and I shall not communicate the telegram to the Porte.

I had already stated that I understood the British bondholders to be unanimous in disapproving of any new issue of papers or the creation of a fresh debt.

I am, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 147.

Mr. Staniforth to Mr. Hughes.

(Telegraphic.)
London, December 23, 1875.

PROJECTED Mission, Hamond, absolutely unauthorized; self-assumed. Otway's position, Agent-General for all loans, remains unchanged. I probably join him as Joint Commissioner. General meeting next week. Protested against unauthorised action. Hamond and group. Oblige me by making this known. Utmost importance. I write post.

No. 148.

Memorandum by Lord Tenterden.

MR. OTWAY called, and, after some preluding, said that he was invited by the bondholders to go out to Constantinople, but he had seen that unofficial support was being given to Mr. Hamond. Now that gentleman had hopelessly quarrelled with the French bondholders; had called them at a public meeting, "vultures" and "adventurers." He felt it would be absurd if he were to go out to Constantinople, as thus there were to be two

* No. 137.

representatives of the bondholders actually not acting in concert. Surely the position of the Embassy was anomalous. What was really the instruction given?

I said that the deputation which had last waited on Lord Derby had asked that the same introductions might be given to Mr. Hamond that had been given to him (Mr. Otway), and Lord Lyons and Sir H. Elliot had accordingly been desired to give Mr. Hamond such unofficial assistance as they properly could in submitting his scheme to the Porte. I did not myself see how Lord Derby could have done otherwise.

Mr. Otway admitted this, and observed that he supposed then the Foreign Office would give all the different sets of bondholders the same unofficial support in this respect.

I said that I did not myself see any other course open. It could not be expected that the Government should decide among the conflicting claims to be the genuine representatives.

He said that Mr. Hamond's scheme had been accepted, but not Mr. Hamond himself, who was a wrong-headed man.

After some general remarks he left without making any specific request.

T.

December 31, 1875.

No. 149.

Mr. Franklin to the Earl of Derby.—(Received January 1, 1876.)

My Lord, *London Institution, Finsbury Circus, December* 29, 1875.

UPON grounds continuously set forth in this correspondence, as laid before Parliament, immediate action on the part of Her Majesty's Government is earnestly claimed, under circumstances set forth below.

There is reason to believe that a suitable remonstrance addressed to the proper parties here in London before the 1st January will avert extreme measures, and keep matters open for reasonable and amicable adjustment.

The Bank of Messrs. Glyn and Co., one of whose partners is a Director of the Imperial Ottoman Bank, refuses to pay even 10*s.* in the pound on matured coupons of this Loan, unless the holders surrender the same absolutely, and moreover give, in writing, an implied consent to any edict of the Porte affecting their bonds. The alternative suggested is, sale of the coupons outright, and, say 11*s.* 3*d.* per pound, probably to parties in position to profit by a wrong devised for their advantage. The bondholders, on receipt of the 10*s.* per pound, are willing to a cancellation of the coupons to that extent (as usual in like circumstances), and to wait patiently for any compromise deliberately and impartially commended for their acceptance.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 150.

The Earl of Derby to Lord Lyons.

(No. 5.)
My Lord, *Foreign Office, January* 3, 1876.

I HAVE received your Excellency's despatch No. 1,040 of the 23rd ultimo, reporting what had taken place at an interview which you have had with Mr. Hamond on the subject of the Turkish bondholders' affairs, and I approve of the letter of introduction to Sadyk Pasha, with which your Excellency has furnished Mr. Hamond, at that gentleman's request.

I am, &c.
(Signed) DERBY.

No. 151.

Lord Lyons to the Earl of Derby.—(Received January 4.)

(No. 3.)
My Lord, *Paris, January* 3, 1876.

WITH reference to my despatches Nos. 932, 947, 1,020, 1,035, 1,038, 1,044, 1,053, and 1,055, of the 18th and 25th November, and 16th, 21st, 22nd, 24th, 27th, and 28th

ultimo, I have the honour to transmit to your Lordship copies of a letter which I have received from Mr. Hamond, respecting the Ottoman loans, and of letters which have passed between that gentleman and M. Bourée.

I regret to say that these letters seem to leave little hope of an agreement between Mr. Hamond and M. Bourée as to the arrangements to be proposed to the Porte.

Mr. Hamond called upon me to-day in company with Mr. Guedalla and Mr. Ewart.

He told me that he had a long interview with the Duc Decazes last week; that the Duke had gone through his scheme article by article, and had expressed approbation of the generous and liberal character of it, but had objected to the reduction of the capital of the loans, on the ground that it was important that Turkey should be kept too weak financially to be able to contract new loans.

Mr. Hamond added that the Duke had strongly deprecated a breach between the French and English bondholders.

I said that I most fully shared that feeling, and that I should conceive very little hope that any plan would be successful which did not command the general support of the great majority of bondholders, without distinction of nationality.

Mr. Hamond told me that he intended to go on to Constantinople this week or next, in order to support his own scheme at the Porte.

I repeated that I could not help holding to my opinion that an accord among the general body of bondholders was essential to success.

I have, &c.
(Signed) LYONS.

Inclosure 1 in No. 151.

Mr. Hamond, M.P., to Lord Lyons.

Dear Lord Lyons, *Paris, December* 31, 1875.

ACCOMPANYING this, I beg to hand you a copy of letter received from M. Bourée, and my answer thereto, for your perusal. I showed the letter to the Duke of Decazes, which he read, and said the misunderstanding must be removed, but I have not received anything further from them.

If your Lordship has heard anything from Constantinople regarding "Hamond's" scheme, I should feel much obliged if you can communicate the same to me.

I remain, &c.
(Signed) CHAS. F. HAMOND.

Inclosure 2 in No. 151.

M. Bourée to Mr. Hamond, M.P.

Monsieur, *Paris, le 26 Décembre*, 1875.

JE vous ai manqué de quelques minutes quand vous m'avez fait l'honneur de passer chez moi, hier Samedi à deux heures, ainsi qu'il avait été convenu, et je vous en exprime mes regrets en me mettant à votre disposition pour la nouvelle entrevue qu'il vous plaisait de me proposer dans cette journée et dans celle de demain.

Toutefois, Monsieur, si je m'en rapporte à une lettre reçue de Constantinople ce matin même, je comprendrais mal l'intérêt d'un échange d'idées dont l'objet devait être d'établir une communauté d'action entre les intérêts Anglais et les intérêts Français; je tiens toujours cette entente pour profondément désirable, mais elle aurait dû caractériser les premiers actes, et j'apprends que dès le 20 Décembre, c'est à dire plusieurs jours avant que j'aie reçu votre visite, M. Stab remettait officiellement votre projet à la Porte.

Dans ces conditions, la démarche que vous avez bien voulu faire près du Président du Comité Français reste assurément un gracieux témoignage de déférence dont je me suis empressé de rendre compte au Comité, mais il est trop évident que ce qui s'est passé à Constantinople ôte malheureusement à ces premiers rapports toute utilité pratique. Ainsi que j'avais eu l'honneur de vous le dire, le projet déposé par M. Stab dans les mains du Grand Vézir avait été jugé par nous à l'unanimité inadmissible et impossible à proposer aux créanciers Français, mais néanmoins tout espoir d'entente n'était pas perdu; aujourd'hui que vous avez agi en dehors de nous, une grande réserve m'est imposée, et il ne nous reste plus qu'à élaborer le projet, que nous espérons rendre aussi favorable aux créanciers de la Porte qu'à la Turquie elle-même. Dans notre pensée, ce projet, avant d'être remis au

Grand Vézir, devait et doit toujours être envoyé à Londres pour être soumis aux délibérations des "bondholders" Anglais, et devenir s'il est possible le point de départ des négociations à entreprendre de concert.

Il nous a semblé qu'en matière si grave nos chances de succès sont dans la simultanéité aussi bien que dans l'identité de nos actes. Nous avions d'ailleurs ajourné comme inopportune toute démarche qui, se produisant au milieu des préparatifs faits par la Porte pour le paiement du coupon de Janvier, aurait pu la troubler au moment où elle allait donner une première preuve de sa fidélité à remplir ses engagements nouveaux.

Afin d'éviter toute équivoque j'ai dû, Monsieur, en vertu de la décision du Comité, télégraphier au Grand Vézir que votre projet n'avait pas eu notre adhésion.

Veuillez, &c.

(Signé) P. BOURÉE.

Inclosure 3 in No. 151.

Mr. Hamond, M.P., to M. Bourée.

Paris, December 27, 1875.

Sir,

I HAVE your note of yesterday, and waited upon you at your own time, and found you not only out, but no message of any kind left by your servant.

It is because I believe it "highly desirable" that the English and French bondholders should act with promptitude and decision that myself and friends waited upon you to "interchange ideas" and decide upon some mutual course of action, but it need not surprise one that Mr. Stab has landed officially "my scheme" to the Porte. This was done by my own direction, as Chairman of the General Committee representing the different Committees of the various Loans, excepting those of 1854 and 1871.

It is now nearly three months since the promulgation of the Iradé; during this period the English bondholders began by holding a meeting, at which nearly 1,000 persons attended. They passed a resolution, leaving to the Council of Foreigh Bondholders to call committees together of the various Loans, to adopt some united course of action, and report to another general meeting I then enunciated my scheme, that while holding firm to our different special securities to each loan, we should meet the Porte fairly and generously for the future, and receive our present rate of interest upon the issue price of each loan, plus 10 per cent. on secured loans and 20 per cent. on unsecured ones, giving up to the Porte the difference between that and the nominal price of 100*l.*, because the bondholders had not paid one single penny consideration for this immense amount, making more than one-third of her entire debt.

The Committees met, thirteen different schemes were carefully considered, and each one that made a report recommended mine for adoption. The delegates from each Loan Committee (called the General Committee) again met, considered all the reports, and recommended my scheme to the Turkish bondholders for adoption. A meeting was called on the 7th December by Mr. Palmer and Mr. Bennock; this meeting unanimously confirmed the report and adopted my scheme. Mr. Palmer himself supported it. The General Committee met again on the 9th, elected myself their Chairman, and also their Commissioner to the Porte to carry out the same. May I ask most respectfully what have the French bondholders done during the same period? Nothing whatever! A self-elected Committee, of which you are the Chairman, has certainly sprung into existence calling themselves the "Defence Committee;" they were made perfectly conversant with my scheme in the end of November by Mr. Otway and others, but no assent or dissent was expressed towards it—no calling together the French bondholders as in London, no counter-proposition was submitted, no attempt to establish that joint action which you appear so much to value, but which you have held aloof from promoting; and it is only after nearly three months' when a scheme has been approved of by the English bondholders with an unanimity unparalleled in financial history, that I am told, when making you a call of courtesy *en route* for Constantinople, that the scheme is "inadmissible"—to whom? Not certainly to the French bondholders, for they as yet have not been consulted, but simply to this self-elected Committee; and you told me, as their mouth-piece, that while the scheme was fair, just, and generous, it is inadmissible, because the French people are not yet educated to follow English people in giving up the enormous nominal debt of Turkey, for which, as I said before, the Porte has not received any consideration whatever. In my humble judgment, it takes little time to "elaborate" a scheme, when justice, fairness, and generous conduct only are required, free from financial labyrinths and complications.

The English bondholders believe that the days gone by, when England and France stood side by side in sustaining the political integrity of the Porte, are not yet forgotten by either country, and they can still show their sympathy with the Porte in her present hour of need, financially, by generously relieving her of a large amount of nominal debt, when by so doing they secure themselves more than 6 per cent. upon their investments, and ample securities for the future; and I have still the confident hope that the French bondholders, when properly appealed to, will cordially join their English brothers in so just and desirable an object.

Your remarks that Captain Stab's proceedings may prevent the Porte from giving a first proof of her good faith in complying with her new engagements, leave me to infer that you are favourable to the Iradé. I must regret this, but the course you are pursuing may ultimately lead to its adoption, and this is a question for which your Committee will be answerable hereafter to the French bondholders.

I shall feel it my duty to place before His Highness the Grand Vizier most emphatically the wishes and feelings of the English bondholders, and whatever the result may be, we shall show to the world that in the Porte's great financial crisis we English bondholders were faithful to the past, and proved the deep sincerity of our feeling for the welfare of the Ottoman Empire.

I shall forward a copy of this letter and your own to the Grand Vizier without delay.

I remain, &c.

(Signed) C. F. HAMOND.

No. 152.

Sir H. Elliot to the Earl of Derby.—(Received January 5, 1876.)

(No. 862.)

Constantinople, December 24, 1875.

My Lord,

YOUR Lordship has instructed me to ascertain and report whether Mr. Hamond's scheme for the adjustment of the interest upon the Ottoman Loans has been accepted by the French and other Foreign Bondholders.

The French Ambassador, whom I saw this morning, told me that he was entirely without information as to the manner in which Mr. Hamond's proposal was regarded in Paris.

Mr. Stab, the agent of the Council of Foreign Bondholders, told me yesterday that he also had received no intimation of it having been accepted by the French, and I am not aware whether any steps have been taken to secure the adherence of those of other countries.

I was informed that the Grand Vizir was inclined to look favourably upon the proposal, but it is not likely to receive serious attention till it can be presented to the Porte as a scheme representing the wishes of the great bulk of the bondholders.

I have, &c.

(Signed) HENRY ELLIOT.

No. 153.

Lord Tenterden to Mr. Franklin.

Foreign Office, January 6, 1876.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 29th ultimo, stating the circumstances under which you urge that immediate action should be taken by Her Majesty's Government in behalf of the bondholders of the Ottoman Loan of 1862, and I am to inform you in reply that Her Majesty's Government cannot interfere in the matter.

I am, &c.

(Signed) TENTERDEN.

No. 154.

Mr. Palmer to the Earl of Derby.—(*Received January* 8.)

My Lord, *Bank of England, London, January* 8, 1876.

REFERRING to the letter which I had the honour to address to your Lordship on the 23rd November last (although I have since observed with regret that the date was omitted), and the reply your Lordship was good enough to give under date of the 30th of the same month, acceding to my request that such unofficial support as was possible should be given to Mr. Arthur Otway in the mission entrusted to him as the representative of all English holders of Turkish bonds; it is now my duty to inform your Lordship that circumstances have since occurred which prevent Mr. Otway from continuing to fulfil the duties of the mission with which he was at that time entrusted.

The consequence of this state of things is that the firm of Dent, Palmer & Co., of which I am the head, consider it their duty, as representing the contractors and agents of the Egyptian Tribute Loans, negotiated in 1854 and 1871, as well as of the loan secured by the customs revenues of Constantinople in 1858, to use their best efforts for the interests of the holders of the bonds of those loans, interests which are gravely threatened by the terms of the Decree issued in Constantinople on the 6th October last.

To this end it is my intention to send my son, Mr. Greville Horsley Palmer, to Constantinople, that he may submit to the Porte the grounds on which we maintain that special circumstances attach to these loans, which entitle them to peculiar consideration. In order that my son may receive from the Porte the attention due to the importance of his mission, I respectfully ask your Lordship to be kind enough to authorize Her Majesty's Ambassador at Constantinople to accord to him all the unofficial support which it was at one time my hope and expectation would only have been required on behalf of Mr. Otway.

I have, &c.
(Signed) EDWD. HAWLEY PALMER.

No. 155.

Mr. Webb to the Earl of Derby.—(*Received January* 10.)

My Lord, *High Park Lodge, Ryde, Isle of Wight, January* 3, 1876.

I VENTURE to ask your Lordship's intentions as to the continued remittance of the Egyptian tribute to the Bank of England for the service of the latter of these loans [1855].

Your Lordship is aware that on your decision depends the safety of the holders of the former loan—the first mortgagees of Turkey—who are now, with singular injustice, called upon to share their security with other and later creditors. With an apology for again troubling you on this subject, I am, &c.,
(Signed) J. G. HERBERT WEBB.

No. 156.

The Earl of Derby to Sir H. Elliot.

(No. 24.)

Sir, *Foreign Office, January* 10, 1876.

I TRANSMIT to you herewith a copy of a letter from Mr. E. H. Palmer,* stating that circumstances have occurred which prevent Mr. Otway from proceeding to Constantinople as the Representative of all English holders of Turkish bonds.

The firm of Dent, Palmer, and Co., in view of this state of things, consider it their duty, as representing the contractors and agents of the Egyptian Tribute Loans of 1854 and 1871, and the Customs Loan of 1858, to send out an agent in the interest of the holders of the bonds of those loans.

The agent selected is Mr. Greville Horsley Palmer, and Mr. Palmer, his father, begs that the same unofficial support may be extended to him which had formerly been promised to Mr. Otway.

* No. 154.

I have accordingly to instruct your Excellency to assist Mr. Palmer unofficially, and you will be guided as to the manner and extent of such assistance by the terms of my despatch No. 388 of November 30, desiring you to extend similar good offices to Mr. Otway.

I am, &c.
(Signed) DERBY.

No. 157.

Memorandum on Ottoman Loans, by a Holder of certain Bonds.—(*Received January* 11.)

Turkish Loans of 1854, 1855, *and* 1871.—*Suggestion to protect England and France from liability on part of Loan of* 1855.

THE original tribute of Egypt of 281,000*l.* covers the interest and sinking fund of the Loan of 1854, and leaves a balance of 71,000*l.* for the Loan of 1855, guaranteed by France and England, and requiring a sum of 250,000*l.* annually, so England and France must provide 180,000*l.* yearly, or obtain it from the Customs duties of Smyrna and Salonica hypothecated for the same. The present amount of the sinking fund for the Loan of 1854 is 90,000*l.*, and for that of 1871 is 70,000*l.*, and the new Egyptian Tribute of 1866, viz., 399,000*l.*, is the exact sum required for the 570,000*l.* of Loan of 1871.

I propose to surrender to the Governments of England and France 39,000*l.* out of the sinking fund for the Loan of 1854, and 39,000*l.* out of that for Loan of 1871.

So far as respects my bonds—

	£
Balance of Tribute of 1841	71,000
.. ..	39,000
.. ..	39,000
Total	149,000

This will enable England and France to pay the interest on 3,700,000*l.*, the present amount of the Loan of 1855, and let the sinking fund thereon cease, and then the whole obligation of England and France will be met out of the Egyptian Tribute.

The Porte to consent to the extension of time for redemption of Loans of 1854 and 1871, owing to reduced sinking funds, and to the cessation of that for Loan of 1855, and so to give 149,000*l.* of Tribute of Egypt permanently to France and England, and, in condition thereof, Turkey to be wholly released from Loans of 1854, 1855, and 1871, England and France guaranteeing to bondholders the continued allocation of the Tribute, save as aforesaid:—

(Signed) A Holder of 1,400*l.* Loan of 1854.
„ 1,400*l.* „ 1871.
„ 700*l.* „ 1855.

No. 158.

Sir H. Elliot to the Earl of Derby.—(*Received January* 12.)

(Telegraphic.) *Constantinople, January* 12, 1876.

THE official announcement that the Government are in a position to pay the January coupons has given great satisfaction, as doubts had been entertained up to the last moment. This is the first time for many years that the coupon has been paid from revenue and not from the produce of a loan.

No. 159.

Sir H. Elliot to the Earl of Derby.—(Received January 12, noon.)

(Telegraphic.) *Constantinople, January 12, 1876, 11 A.M.*

THE Grand Vizier has made a very important communication to the Ottoman Bank, which is authorized to receive the whole of the net revenues of the Constantinople Custom-house for the service of the interest on the debt, and to appoint an officer to control the cash accounts of that department.

No. 160.

Mrs. Brown to the Earl of Derby.—(Received January 12.)

My Lord, 23, *The Norton, Tenby, Pembrokeshire, January 12, 1876.*

IN consequence of the increased expense of living I was induced some years ago to change some of my investments into foreign bonds, and selected amongst others the Turkish Loan of 1858, which I thought sufficiently safe on account of being specially secured by the Customs Revenue at Constantinople, and also on account of its being issued at so high a price. But I now find that these revenues are to be diverted to pay the interest of the general debt of Turkey, which was borrowed without giving any security and issued at a very low price. I consider this quite a robbery and nothing to do with the question of bankruptcy, because robbing one class of creditors to benefit another does not make the Turkish Treasury any richer. I hope, therefore, your Lordship will do what you can to prevent such an act of injustice. Turkey has no right to the support of England when it acts in such a barefaced manner.

I am, &c.
(Signed) MARY BROWN.

I think, too, that the proposal to pay the 1855 Loan only in full is a direct insult to England and France, and most humiliating to Turkey herself.

M. B.

No. 161.

Lord Tenterden to Mrs. Brown.

Madam, *Foreign Office, January 17, 1876.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 12th instant, with reference to the Ottoman Loan of 1858.

I am, &c.
(Signed) TENTERDEN.

No. 162.

Mr. Otway to the Earl of Derby.—(Received January 19.)

My Lord, 19, *Cromwell Road, January 16, 1876.*

YOUR Lordship having been so good, on the request of Mr. Palmer, the Deputy-Governor of the Bank of England, and Chairman of the United Committees of Turkish Bondholders, as to instruct Her Majesty's Ambassadors at Paris and Constantinople to give me their unofficial aid in furtherance of the mission with which I was charged by the above-named committees, I feel it a duty to inform your Lordship that it is no longer my intention to proceed on the mission to Constantinople on account of which Mr. Palmer's requests were made.

The reasons for this are stated in the accompanying extract from the "Times" newspaper, which I inclose as the most convenient form of bringing them to your Lordship's knowledge.

I take this opportunity to submit to your Lordship, that it is desirable in the

interest of Her Majesty's Government that the tribute to Egypt should continue to be paid to the Bank of England, and assigned for the satisfaction of the interest due on the Loans of 1854, 1855, and 1871, and that Mr. Greville Palmer, a member of the firm of Kent, Palmer and Co., is about to proceed to Constantinople to effect, if possible, an arrangement with the Ottoman Government in this sense. Should your Lordship take this view of the settlement of a matter which will, if dealt with according to the decree of October, encounter legal difficulties here and cause great dissatisfaction, there can be little doubt that the aid which Mr. Greville Palmer would in that case receive from Her Majesty's Ambassador would secure that measure of success which would content those who are interested in the loans secured by the Egyptian Tribute, and at the same time avoid the risk of liability to the Governments of England and France on account of their guarantee to the Loan of 1855.

I have, &c.
(Signed) ARTHUR OTWAY.

Inclosure in No. 162.

Extract from the "Times."

THE TURKISH DEFAULT.—Yesterday, at the invitation of Messrs. Dent, Palmer, and Company, a meeting of the holders of the Turkish Loans of 1854, 1858, and 1871, was held at the London Tavern, Bishopsgate Street, "to receive a report of the proceedings since the meeting of the 21st of October, 1875." Mr. E. H. Palmer (a member of the firm), the Deputy-Governor of the Bank of England, presided, and there was a crowded attendance.

The Chairman, after briefly alluding to the meeting held on the 21st of October, and its result, referred to the interview which the committee then appointed had with Lord Derby, when it was distinctly intimated by his Lordship that much advantage would accrue to everybody if the committee which then waited on him could be considered to represent all the Turkish bondholders. They then took every measure to bring about such a state of affairs, and after considerable negotiation and labour they thought they had succeeded, and two members of the Moorgate Street committees were invited to join their committee. Mr. Eykyn and Mr. Bennoch were the gentlemen nominated on their committee, and they considered that in that capacity they had a united committee, representing all Turkish interests, and that they considered was the state of affairs at the present time. (Hear, hear.) He thought he was justified in regarding affairs in this light, from the fact that Mr. Bennoch and Mr. Eykyn were both present when Lord Derby was addressed, and when he was asked to accredit Mr. Otway to Constantinople as the representative of the united interests. (Hear, hear). Mr. Otway left London to carry out the instructions given him, and to see how far an agreement could be arrived at with the French interests, which was absolutely necessary before they could hope to see any plan favourably received at the Porte. A meeting to confirm these proceedings was held on the 7th ultimo, and as Mr. Bennoch was present at the Bank the day before, when the resolutions to be submitted were agreed to, he was in hopes of the proceedings being unanimous. They had previously instructed Mr. Otway to make Mr. Hamond's scheme the basis of his negotiations with the French committee. At the meeting, however, Mr. Hamond, whose name was on the committee they then proposed to form, objected altogether to the names of the gentlemen whom they expected to carry out the negotiations, and Mr. Bennoch supported him. The consequence was that, although the meeting accepted the resolution as it had been prepared and submitted, Mr. Hamond formed a committee of his own, and determined to carry out his own plans entirely irrespective of French interests. By this action he had done himself no good, and the consequence had been to paralyze and prevent any continuance of those negotiations which had been begun with the French committee, and Mr. Otway could not continue those exertions which he had brought to such a very satisfactory condition. Therefore, whatever might happen eventually with reference to the general interests of Turkish bondholders, the question was suspended so long as Mr. Hamond continued in his present course, and the action of the committee acting as the united committee was paralyzed for the time. That being the case, Messrs. Dent, Palmer, and Company, as the contractors and agents of the three loans, considered that the responsibility of doing what they could for the holders, in advocating their interests, had reverted to them (hear, hear), but more especially with

regard to the Loans of 1854 and 1871. It would not do for them to await the proceedings of Mr. Hamond at Constantinople. (Hear, hear). There were questions of great and vital importance at that moment pending with reference to the Tribute Loan of 1854, rendering it absolutely essential that powers should be given to his firm to enter into an amicable arrangement with the Turkish Government. They might say as an alternative, "We will do nothing, we will trust to the laws of the country, and we will have the full amount of the tribute appropriated by the original contracts." This, however, would involve very serious legal proceedings, and he did not think they were desirable, nor was it the opinion of very large holders of the stock. The present action was being taken by Messrs. Dent, Palmer, and Company, and was not a proceeding of the united committee. He personally represented between 600,000*l.* or 700,000*l.*, so they would see he was speaking with some authority. He hoped and believed they would not have to appeal to the Court of Chancery for the present, but it was not impossible, and therefore it was necessary that powers should be given to Messrs. Dent, Palmer, and Company to send a gentleman to Constantinople to enter into an amicable arrangement with the Porte, so as to insure the continued transmission of the tribute to the Bank of England. (Hear, hear). This was the state of affairs with regard to the Loans of 1854 and 1871, but they thought it right not to exclude the holders of the 1858 Loan, and it was their intention to do everything they could for them. It seemed almost impossible to suppose that the Porte, unless at the very last extremity, would divert a security, part of which was assigned to the Governments of France and Italy. The two loans of 1854 and 1855 were so interwoven that nothing but the very greatest pressure would induce the Sultan to divert the security from its proper destination. Looking, however, to the present state of Turkey, he thought it was their interest to make an amicable arrangement with the Porte, and to make some concessions in order to put beyond doubt the question of the continued remittance of the tribute to the Bank of England. (Hear, hear). There were various rumours and reports about, and there was a report on Friday last that the tribute had been diverted, and the consequence was that the stock went down several per cent. If they could be assured of its continued remittance, he thought it would be well worth while to make some concession. (Hear, hear). He regretted that Mr. Otway, through a severe attack of neuralgia, was unable to be present, but he had received a most important letter, which he had requested him to read. It was as follows:—

"19, *Cromwell Road, January* 10.

"Dear Mr. Palmer,

"To my great regret, I am deprived of all hope of being able to leave my room to-day. I was very anxious to attend the meeting called by your firm, desirous especially, to urge on the holders of tribute loans the necessity, at this juncture, of union among themselves, and the avoidance of proceedings such as those by which the position of the holders of the other Turkish loans has been so much injured. I should have borne testimony, also, to the care which you took in your communications with me in Paris to reserve the rights of the holders of these loans. The special claims of the 1854 bondholders are incontestable. I cannot believe that these claims will be ignored by a Minister with views so just on all matters as Lord Derby, and I can repeat the assurance which I gave you after my interview with the Duc Decazes that in any steps which Lord Derby may think fit to take, unofficially or otherwise, in favour of the bondholders, he will have the cordial co-operation of the eminent statesman who presides over Foreign Affairs in France. The tribute loans form, in my opinion, the pivot on which the movements of all the Turkish bondholders should turn. The special circumstances attending them may yet induce the Porte to see a wise policy in the withdrawal of a Decree which has caused dismay to those who believe in the honour and good faith of the Ottoman Government. His Imperial Majesty the Sultan and the Ottoman Government have resources at their command beyond those which have been assigned to the bondholders, and this is a matter on which respectful but firm representations might be made with advantage at Constantinople. I wish it were still in my power to fulfil your desire and continue at Constantinople the negotiations so favourably commenced in Paris, but certain proceedings, to which I have adverted in my correspondence with you, prevent the hope that I could be useful there now either to you or the bondholders. I always considered that the first step in our negotiations should be to establish concert between the Turkish bondholders in England and those in other countries, holding in the aggregate so much larger a portion of the Turkish debt, but especially in France; and this view had the cordial concurrence of the distinguished gentleman, M. Bourré, formerly French Ambassador at Constantinople, who presides over the French Committee of Defence. Our negotiations were based on Mr. Hamond's scheme, and were making fair progress when that member of Parliament, speaking at a public meeting in London of the French Committee in language which I will not repeat, and which I am sure he must now regret, declared that his scheme must be accepted pure and simple, and this untoward declaration found, among other supporters, a member of the Council of Foreign Bondholders, who was also a member of your Committee, and who, up to that moment, had concurred in the proceedings of your Committee, approving especially the letter in which you ask Lord Derby for unofficial support of myself in Paris and Constantinople as the representative of all the Turkish bondholders in England. Under these circumstances a continuation of the negotiations in Paris became useless, and the French Committee soon afterwards notified to the Grand Vizier their refusal to accept the scheme of Mr. Hamond as a settlement. Mr. Hamond has, I understand, now gone to Constantinople to advocate his scheme, and as it deals unjustly with the tribute bondholders, I think you would do well for the holders of the loans of 1854 and 1871 to send some one in whom you can confide to Constantinople to represent their interests.

"I am, &c.

(Signed) "ARTHUR OTWAY."

That, continued the Chairman, was Mr. Otway's determination, and he was sorry for it. It was now, however, his intention to send a member of their firm there. (Hear, hear). He would have the advantage of representing the actual contractors, at all events, and at any rate they would do their best for the bondholders. He then moved the following resolution:—

"That Messrs. Dent, Palmer, and Co. be, and they are hereby authorized by and on behalf of the bondholders of the Tribute Loans of 1854 and 1871, to take such steps and to enter into such arrangements and effect such compromises ("no no") as they may consider desirable and necessary to insure the continued transmission of the Egyptian tribute to England." (Cheers.)

Sir Philip Rose having seconded the resolution,

A discussion ensued, in which several bondholders took part.

No. 163.

Lord Tenterden to Mr. Webb.

Sir, *Foreign Office, January* 19, 1876.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 3rd instant, requesting information respecting the intention of Her Majesty's Government with regard to the Ottoman Loans of 1854 and 1855, and I am to inform you in reply that instructions have already been sent to Her Majesty's Ambassador at Constantinople, to give unofficial assistance to the representatives of the 1854 bondholders who have proceeded thither for the purpose of laying their case before the Porte, and Lord Derby cannot undertake to interfere further on behalf of the bondholders of the Loan of 1854 either in regard to the Egyptian Tribute or otherwise.

I am, &c.

(Signed) TENTERDEN.

No. 164.

Mr. W. Fitzgerald to the Earl of Derby.—(Received January 19.)

My Lord, *Shelburne Hotel, Stephen's Green, Dublin, January* 17, 1876.

HAVING had a good deal to do with Eastern affairs, and being a holder to a small extent of Turkish bonds of 1871, I desire to bring officially before you a suggestion, thinking it may prove useful in a public point of view, if acted on.

It is, that there exists no reason which I am aware of, why the Turkish bonds of 1854, 1855, and 1871 should not all be secured on the total amount of tribute paid by Egypt to the Sultan. If the English and French Governments would permanently arrange with the Sultan and Khedive to this effect, the yearly drawings might well be dispensed with by the holders, so considerably would the value of the 1854, 1855, and 1871 bonds be improved.

One result would be, that thus the Egyptian tribute would supply a sufficient fund to meet the interest on the 1855 bonds; at present, I believe, in case of default by the Sultan, England and France must look to other Turkish resources (customs duties, &c.), to indemnify them for paying according to their guarantee, which, of course, they would do in any event. It might not be easy to collect revenues anywhere but in Egypt.

I feel you can better judge than I, as to all this, possessed as you are of official information, but I venture unhesitatingly to believe, that you agree with me in a wish to maintain British interests in Egypt, by measures merely calculated to do justice to our rights, especially as regards those rights connected with Indian transit, which, in large measure, must determine the decision of many questions relating to Egypt. The preponderance of British power acting on Egypt, naturally and necessarily and without the least exertion of force, is complete, and will every day increase, both in its absolute extent, and relatively, as compared with the influence possessed by any other nation than our own.

This note is written without communication with anyone, with the object I have stated.

I have, &c.
(Signed) W. VESEY FITZGERALD.

No. 165.

Lord Tenterden to Mr. W. Fitzgerald.

Sir, *Foreign Office, January 22, 1876.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 17th instant on the subject of the Turkish bonds of 1854, 1855, and 1871.

I am, &c.
(Signed) TENTERDEN.

No. 166.

Mr. W. H. Smith, M.P., to Lord Tenterden.—(Received January 26.)

My Lord, *Treasury Chambers, January 26, 1876.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to lay before the Secretary of State for Foreign Affairs the inclosed copies of correspondence which has passed between the Bank of England and his Excellency the Turkish Ambassador on the subject of the dividend due on 1st February next on the loan to Turkey, guaranteed by Her Majesty and the Emperor of the French in 1855.

Lord Derby will perceive that the half-year's interest for which Her Majesty and the French Government are jointly responsible, and which falls due on 1st February next, amounts to 76,304*l.*, that his Excellency the Turkish Ambassador contends that, by means of the Egyptian Tribute, a sum of 70,400*l.* has been provided, and he has paid to the Bank of England the sum of 5,904*l.*, which, according to his contention, is all that is necessary to make up the above-mentioned dividend of 76,304*l.*

The Bank of England, however, receive the Egyptian tribute on account of the two loans of 1854 and 1855, and they have referred the arrangement proposed by his Excellency to counsel, who advise them that the bondholders of 1854 have a charge on the Egyptian Tribute for the payment in cash of their interest, and that they are not bound to accept payment in the manner proposed by the Turkish Government. The Bank have accordingly communicated this opinion to the Turkish Ambassador, adding that, having regard to the communications which passed between his Excellency and the Bank on the opening of the account in 1855, they would not be justified in transferring to the service of the Loan of 1855 any sum which would not leave sufficient to meet the amount required to pay the bondholders of the Loan of 1854 the sums payable to them in respect of the dividend due in April next.

His Excellency, in reply, refuses to discuss the question.

It is evident therefore that the Turkish Government will not have furnished funds available for the payment of the dividend due on the 1st February, inasmuch as the Bank of England refuses to place at the disposal of Her Majesty's Government and

the French Government more than the sum of 60,904*l.*, so that the Guaranteeing Powers will have to pay on 1st February next no less a sum than 15,400*l.*

I am to request you to move the Secretary of State to make known these circumstances to the French Government, in order that a remonstrance may be addressed to the Turkish Government, and their attention directed to the clause of the Convention of 1855, whereby His Imperial Majesty the Sultan undertakes that the interest and sinking fund of the said loan shall form a charge on the whole revenues of the Ottoman Empire, and specially of the annual amount of the Tribute of Egypt which remains over and above the part thereof appropriated to the first loan (of 1854) and moreover on the customs of Smyrna and Syria.

My Lords cannot doubt that the Turkish Government will lose no time in recouping to Her Majesty's Government and to the French Government the sum which they will have to advance on the 1st February next. It would, indeed, be most desirable for the credit of the Turkish Empire that the money should be provided before that time, so that no advance would be necessary.

But, however this may be, my Lords feel confident that every effort will be made to satisfy fully and honourably the obligation which the Turkish Government has undertaken towards the Guaranteeing Powers.

I am, &c.
(Signed) W. H. SMITH.

Inclosure 1 in No. 166.

Mr. May to the Secretary to the Treasury.

Sir, *Bank of England, January 17, 1876.*

REFERRING to the Convention between the Governments of England, France, and Turkey, dated 27th June, 1855, which provides that the funds to meet the dividends and sinking fund of the Turkish Guaranteed Loan of 1855 shall be paid into the Bank of England on or before the 25th June and 25th December in each year, I am directed by the Governor to hand you, for the information of the Lords Commissioners of Her Majesty's Treasury, copy of a correspondence which has taken place between the Bank and his Excellency the Ambassador of the Sublime Porte with reference to the provision for the dividend due 1st February next.

I am to state that, under the conditions between his Excellency and the Bank on opening the account of the Egyptian Tribute, the funds are held by the Bank subject to the payments to be made on account of the two Loans contracted for by His Majesty the Sultan in 1854 and 1855, and the Bank accept the orders of the Representative in this country of the Imperial Ottoman Government, from time to time, for the payments to be made in order to meet the obligations of these two loans.

On the 10th December last the Bank acquainted his Excellency, as usual, that the balance of the Egyptian Tribute available for the purposes of the Guaranteed Loan Dividend, due on the 1st February next, would be 55,000*l.*, and that the further sum of 21,304*l.* would be required to complete the total amount of 76,304*l.* then due.

His Excellency having now instructed the Bank to transfer the sum of 70,400*l.*, the Governor has referred the question to the Bank Solicitors, who have taken Counsel's opinion on the matter, the substance of their advice was communicated to his Excellency on the 15th instant.

Messrs. Dent, Palmer and Co., the contractors of the Loan of 1854, were duly informed of this, and they have to-day lodged with the Bank a protest against parting with a larger amount of the Tribute than will remain after providing for the half-year's dividend on that Loan due 10th April next, which is communicated to the Ambassador this day.

I am, &c.
(Signed) F. MAY, *Chief Cashier.*

Inclosure 2 in No. 166.

Mr. May to Musurus Pasha.

Sir, *Bank of England, E.C., December* 10, 1875.

I HAVE the honour to remind your Excellency that the half-year's interest, due 1st February next, on the Imperial Guaranteed Loan of 1855, amounting to 76,304*l.*, should, under the IIIrd Article of the Convention, dated 27th June, 1855, and the 8th section of the Agreement between your Excellency and the Bank, dated 20th August, 1855, be in the hands of the Bank of England on or before the 25th instant.

The estimated amount of the Egyptian Tribute available for the service of the Guaranteed Loan will be 55,000*l.*, leaving a balance of 21,304*l.* to be provided to complete the sum of 76,304*l.* required.

I have, &c.
(Signed) F. MAY, *Chief Cashier.*

Inclosure 3 in No. 166.

Musurus Pasha to Mr. May.

Sir, *Imperial Ottoman Embassy, London, December* 14, 1875.

I HAVE the honour to acknowledge the receipt of your letter of the 10th instant, stating that the sum of 21,304*l.* will be required to complete the sum of 76,304*l.*, being the amount of the current half year's service of the Imperial Loan of 1855; and, in reply thereto, I beg to remind you that, according to the terms of the recent financial measure of the Imperial Government, which have doubtless come to your knowledge, the current half-year's interest on the Imperial Loan of 1854 will be paid half in cash and half in 5 per cent. bonds, and therefore the surplus of the Egyptian tribute will more than suffice to complete the amount required for the service of the Imperial Loan of 1855.

I have, &c.
(Signed) MUSURUS.

Inclosure 4 in No. 166.

Musurus Pasha to Mr. May.

Sir, *Imperial Ottoman Embassy, London, January* 13, 1876.

REFERRING to my letter to you of the 14th ultimo, I request you to transfer from the account of the Egyptian Tribute to that of the Imperial Loan of 1855 the sum of 70,400*l.*, and to receive from the London Agency of the Imperial Ottoman Bank, and place to the credit of the same account, the sum of 5,904*l.*, thus completing the sum of 76,304*l.*, required for the payment on the 1st proximo of the interest on that Loan.

I have, &c.
(Signed) MUSURUS.

Inclosure 5 in No. 166.

Mr. May to Musurus Pasha.

Sir, *Bank of England, E.C., January* 15, 1876.

I HAVE the honour to acknowledge the receipt of your Excellency's letter of the 13th instant, in which you request me to transfer from the account of the Egyptian Tribute to that of the Imperial Ottoman Loan of 1855 the sum of 70,400*l.*, and to receive from the Imperial Ottoman Bank, and place to the credit of the same account, the sum of 5,904*l.*, thus completing the amount of 76,304*l.*, required for the payment on the 1st proximo of the interest on that Loan.

I have submitted your Excellency's letter to the Governor of the Bank, and I am instructed by him to state that the Bank are advised that the bondholders of 1854 have a charge on the Egyptian Tribute for the payment in cash of their interest, and

are not bound to accept payment in the manner proposed by your Government; and further that, having regard to the communications which passed between your Excellency and this Bank on the opening of the account in the year 1855, the Bank would not be justified in transferring, as proposed by your letter, any sum which would not leave sufficient to meet the amount required to pay the bondholders of the Loan of 1854 the sums payable to them in respect of the dividend due in April next.

The sum of 5,904*l.*, referred to above, was received from the Imperial Ottoman Bank yesterday.

I have, &c.
(Signed) F. MAY, *Chief Cashier.*

Inclosure 6 in No. 166.

Musurus Pasha to Mr. May.

Sir, *Imperial Ottoman Embassy, London, January* 15, 1876.

I HAVE the honour to acknowledge the receipt of your letter of this day's date informing me that you have received from the Imperial Ottoman Bank the sum of 5,904*l.*, on account of the Imperial Loan of 1855, so that this sum, with that of 70,400*l.*, which is to be transferred, according to my instructions of the 13th instant, from the account of the Egyptian Tribute to that of the same loan, completes the sum of 76,304*l.*, required for the payment on the 1st proximo of the interest on that loan.

As to the recent financial decree of the Imperial Government and the claims of the bondholders, it is obvious that such questions cannot become a subject of discussion between the Imperial Embassy and the Bank of England.

I have, &c.
(Signed) MUSURUS.

No. 167.

Lord Tenterden to Mr. Otway.

Sir, *Foreign Office, January* 27, 1876.

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 16th instant, and I am to inform you in reply that a letter of introduction to Her Majesty's Ambassador at Constantinople, has already been given to Mr. G. Palmer but that Her Majesty's Government cannot interfere officially in behalf of the 1854 bondholders, either as regards the Egyptian Tribute or otherwise.

I am, &c.
(Signed) TENTERDEN.

No. 168.

Sir H. Elliot to the Earl of Derby.—(Received January 27.)

(No. 40.)
My Lord, *Constantinople, January* 12, 1876.

I HAVE the honour to inclose the translation of a very important letter which has been addressed by the Grand Vizier to the Imperial Ottoman Bank.

The Bank is to be authorized to incash, for the service of the public debt, the whole of the revenues of the Custom-house of Constantinople, after deducting the expenses of that administration, and is to appoint one of its own officers to control its accounts.

This is an addition to the other revenues guaranteed by the Iradé of October to the service of the debt, which the Government divests itself of applying to any other purpose.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 168.

Extract from "La Turquie" of January 27, 1876.

NOUS reproduisons ci-après la lettre que son Altesse le Grand-Vézir vient d'adresser, à la date du 9 Janvier, à la Banque Impériale Ottomane, au sujet de l'exécution des dernières mesures financières. Ce document est de ceux qui sont au-dessus de l'éloge et rendent tout commentaire superflu. Nous exprimerons seulement une observation qui viendra à l'esprit de tous les lecteurs; c'est que l'énergie du Gouvernement pour faire face à ses nouveaux engagements défie toute défaillance.

Des affectations spéciales avaient garanti les paiements à effectuer. Mais les revenus formant ces affectations étaient partiellement engagés, de telle sorte qu'ils n'ont pas été suffisants pour l'objet auquel ils étaient destinés. Que fait le Gouvernement? Il comble la différence avec ses propres ressources. C'est ainsi que nous voyons pour la première fois le Trésor assurer le service de la dette sans avoir recours aux emprunts. C'est là un fait considérable. Il est la meilleure réponse aux commentateurs malveillants, aux appréciations pessimistes qui, dans ces derniers temps, se sont donné libre carrière.

On remarquera que par les dispositions de la lettre du Grand Vézir, ainsi que grâce au concours que la Banque Impériale Ottomane ne manquera pas de prêter aux intentions loyales du Gouvernement, le service de la dette publique est désormais assuré et garanti.

Son Altesse Mahmoud Pacha n'a qu'à poursuivre son œuvre avec la force de volonté dont il a donné tant de preuves. Tous les amis de l'Empire sont avec lui.

"Son Altesse le Grand-Vézir à la direction de la Banque Impériale Ottomane.

"Messieurs,

"Vous n'ignorez pas qu'aux termes de la déclaration faite et publiée par la Sublime Porte le 6 Octobre, 1875, en vertu d'un Iradé Impérial, la moitié des intérêts et des amortissements de la dette publique de l'Empire doit se faire pendant une période de cinq ans en espèces, et l'autre moitié en nouvelles obligations 5 pour cent, dont les intérêts payables également en espèces; que tous ces paiements ont été garantis par le tribut d'Égypte et par les revenues des Douanes, du sel, et du tabac, revenus auxquels on devra ajouter en cas d'insuffisance la partie nécessaire de la taxe sur les moutons; qu'ainsi des garanties réelles ont été données aux contractants de nos emprunts et aux porteurs de nos obligations; qu'enfin il a décidé de consigner les fonds des dites affectations à la Banque Impériale Ottomane et aux Syndics qui doivent être nommés à cet effet pour fonctionner sous la surveillance et avec la co-opération de la même Banque.

"Vu le court intervalle de temps qui restait entre la date de la dite déclaration officielle et celle du coupon de Janvier 1876, le Gouvernement Impérial, voulant pendant cet espace de deux mois et demi assurer à temps et intégralement ce service, a fait remettre, par le Ministère Impérial des Finances à la Banque Ottomane, 2,000,000*l.* sterling, prélevées non-seulement sur les affectations en question, mais encore sur d'autres revenus de l'Empire.

"Ces 2,000,000*l.* sterling se décomposent ainsi qu'il suit:

"Six cent et tant de mille livres sterling pour les échéances des Emprunts de 1860, 1862, 1864, et 1865;

"Sept cent et tant de mille livres sterling pour donner des facilités aux contractants des avances dont le terme a été prolongé;

"Six cent mille livres sterling pour le service du coupon de la dette générale, 5 pour cent échéant le 1/13 Janvier, 1876.

"Outre ces versements, le Trésor Impérial a payé, aux fondés de pouvoirs des contractants des bons du Trésor, 100,000*l.* sterling. De même il s'est proposé d'acheter pour 100,000*l.* dont il a payé déjà la moitié, ceux des coupons de la dette générale qui doivent être remboursés à Constantinople.

"A l'heure qu'il est il ne reste plus à payer pour le service du coupon à Constantinople que 170,000*l.* sterling et pour celui des bons du Trésor 100,000*l.* sterling. Le terme de ces derniers payements n'étant pas encore expiré, et dès lors la Banque Impériale ayant encore du temps devant elle pour y parfaire sur ses affectations, il n'existe donc plus pour elle la moindre difficulté.

"De ce qui précède vous comprendrez aisément, Messieurs, que tout le service précité ayant été dès à présent assuré sur les revenus déjà donnés en garanties et sur

certains autres en dehors de ces affectations, et ce à cause du très court intervalle de temps, vous comprendrez, dis-je, que le moment est arrivé, d'après le principe arrêté par le Gouvernement Impérial, de laisser pour l'avenir également, à la Banque Ottomane, le soin de garantir aux porteurs de nos obligations, pour le service du coupon et de l'amortissement de la dette publique de l'Empire, des affectations qui ont été spécifiées dans la susdite déclaration officielle du 6 Octobre, 1875, sans que le Gouvernement puisse leur donner une autre destination.

"En conséquence, la Banque est autorisée en vertu d'un Iradé Impérial à se faire consigner entre les mains, à dater de ce jour, tous les revenus de l'administration impériale des contributions indirectes, après en avoir déduit les dépenses de cette administration, ainsi que le service de peu d'importance du coupon des Séhims et autres qui se fait jusqu'à ce jour et dont le chiffre est connu. Le tout sans préjudice de ce qui a été mentionné dans la même déclaration du 6 Octobre relativement aux Syndics.

"L'administration précitée vient de recevoir des ordres dans ce sens.

"De son côté la Banque Impériale Ottomane est invitée à se mettre, sans retard, en mesure de remplir cette mission en désignant un de ces employés, chargé de contrôler d'une manière permanente le mouvement et les comptes des caisses de la Douane de Constantinople pour le versement intégral entre ses mains de l'excédant des recettes, sans avoir nullement le droit de s'immiscer dans les affaires de l'administration dont il s'agit.

"Veuillez, &c."

No. 169.

The Earl of Derby to Musurus Pasha.

Foreign Office, January 27, 1876.

M. l'Ambassadeur,

I HAVE the honour to state to your Excellency that Her Majesty's Government have been informed by the Bank of England that the Bank has not sufficient assets available to meet the dividend on the Guaranteed Loan of 1855, which will fall due on the 1st of February next, and that a sum of 15,400*l.* is required to meet the deficiency.

Your Excellency is aware that, if this deficiency is not met, the Government of the Guaranteeing Powers, Great Britain and France, will, under the Convention and Declaration signed on the 27th of July, 1855, be called upon to make it good.

The IIrd Article of that Convention provided that the interest of the loan should form a charge on the whole revenues of the Ottoman Empire, and specially on the annual amount of the tribute of Egypt, which remains over and above the part thereof appropriated to the first loan, and moreover on the Customs of Smyrna and Syria.

On the 6th of October last his Excellency Safvet Pasha wrote to Her Majesty's Ambassador at Constantinople as follows:—

"Pour faire suite à ma lettre de ce jour concernant la déclaration de la Sublime Porte au sujet de la réduction du coupon des dettes intérieures et extérieures de l'Empire Ottoman, j'ai l'honneur d'informer votre Excellence que cette mesure restrictive ne devra nullement être appliquée à l'Emprunt de 1855 garanti par le Gouvernement de Sa Majesté Britannique, et que le service des intérêts de cet Emprunt continuera à se faire comme par le passé.

"Je prie votre Excellence de vouloir bien prevenir son Gouvernement de ce qui précède, afin que cette décision de la Sublime Porte soit portée sans retard à la connaissance des contractants de l'Emprunt dont il s'agit."

Your Excellency was also good enough to convey to me a similar assurance from his Excellency Safvet Pasha in the letter which you did me the honour to address to me on the 16th of October last.

Her Majesty's Government lose no time in apprizing your Excellency of the intimation which they have received from the Bank of England, in the confident expectation that the formal assurances to which I have referred will be faithfully observed, and that the Porte will, as bound by the Convention, fulfil its obligations towards the Guaranteeing Powers by forthwith supplying the required amount of 15,400*l.* irrespective of any questions arising out of its engagements with the Bank of England.

I am, &c.

(Signed) DERBY.

No. 170.

The Earl of Derby to Sir H. Elliot.

(Telegraphic.) *Foreign Office, January* 28, 1876, 2·45 P.M.

THE Bank of England intimate that they are advised that the bondholders of of 1854 have a prior charge on the Egyptain Tribute, and that the Bank must retain sufficient to meet the whole of their April dividend before paying the dividend due on the 1st proximo to the Guaranteed 1855 Loan.

This leaves a deficit to be provided for the latter, of 15,400*l.*

I have urged upon Musurus Pasha to fulfil the assurances reported in your No. 643 of October 7th, and repeated by him, that the interest on the 1855 Loan would be met, and pressed that this should be done forthwith.

If the interest is not met, the Guaranteering Powers will have to provide it, and there will be immediate publicity and probable discussion in Parliament.

Point out how seriously this will affect Turkish credit and English public opinion.

No. 171.

The Earl of Derby to Sir H. Elliot.

(Telegraphic.) *Foreign Office, January* 28, 1876, 4 P.M.

THE amount of deficit of dividend for the 1855 bondholders should be 15,400*l.* not 15,404*l.* Correct my previous telegram accordingly.

No. 172.

The Earl of Derby to Lord Lyons.

(No. 83.)

My Lord, *Foreign Office, January* 28, 1876.

I TRANSMIT to your Excellency herewith copies of a letter from the Treasury and its inclosures, respecting an intimation received from the Bank of England that there is a deficiency of 15,400*l.* in the amount available at the Bank for meeting the dividend due on the 1st of February on the Ottoman Guaranteed Loan of 1855. I also inclose a copy of a letter which I have addressed to the Ottoman Ambassador thereupon, together with a telegram to Sir H. Elliot, and I have to request your Excellency to call the immediate attention of the French Government to the matter, and suggest that they should address similar representations to the Turkish Government.

I am, &c.
(Signed) DERBY.

No. 173.

Sir H. Elliot to the Earl of Derby.—(Received January 30.)

(Telegraphic.) *Constantinople, January* 30, 1876.

THE Grand Vizier has promised that the Bank of England shall immediately be placed in a position to pay coupon on the 1855 Loan.

No. 174.

Lord Lyons to the Earl of Derby.—(Received January 30.)

(Telegraphic.) *Paris, January* 30, 1876.

DUC DECAZES promises to telegraph immediately to Constantinople in strong terms to urge Porte to provide forthwith the sum wanting for complete payment of dividend due day after to-morrow on Guaranteed Loan.

No. 175.

Mr. Otway to the Earl of Derby.—(Received January 30.)

Dear Lord Derby, 19, *Cromwell Road, January* 30, 1876.

I SEND the memorandum you desired on "the Tribute Loans."

In doing so, I wish to say that I have not now, nor have I had, directly or indirectly, any pecuniary interest in these or the other Turkish Loans.

As you are aware, I have declined the mission to Constantinople, which was offered to me on behalf of the bondholders, and in venturing to ask your Lordship's attention to the accompanying paper, I have no other object but that of furthering, so far as lays in my humble capacity, the settlement of a question in which not only the interests of many thousands of British subjects are involved together with those of the Ottoman Government, and the relations of that Government with the Khedive of Egypt, but also the honour and good faith of the Governments of Great Britain and France, allied with Turkey in the war with Russia, which caused the Loans of 1854 and 1855 to be raised with the sanction of Her Majesty's Government.

I have, &c.
(Signed) ARTHUR OTWAY.

Inclosure 1 in No. 175.

Memorandum.

The Loan of 1854.

IN 1854 the Turkish Government, having endeavoured unsuccessfully on two or three previous occasions to raise a loan to provide for their share of the expenses of the war with Russia, sent two Commissioners to England (Messrs. T. N. Black and P. Durant), with full powers to raise a loan of the nominal value of 5,000,000*l.*, and to pledge the Egyptian tribute, fixed by the Treaty of 1841, amounting to 282,000*l.*, as a special security for principal and interest.

Conditions of issue.

The conditions of the loan were agreed upon finally between Baron Goldsmid and Mr. J. Horsley Palmer, and the Imperial Firman, bearing the Hatti-Scheriff of the Sultan, was issued to the Viceroy of Egypt, directing him to send the tribute to the Bank of England, for account of the contractors of the loan, until the liquidation of the loan should be completed.

Interest of British and French Governments in success of Loan.

The Governments of England and France, anxious that Turkey should bear her share of the expenses of the war, were specially interested that the loan should be a success, and the Foreign Ministers of both countries addressed letters to the contractors, the avowed intention of which was to secure a full subscription. The price fixed for the issue was 80 per cent., and the Turkish authorities, thinking the price too low, would only authorize an issue of 3,000,000*l.*, reserving the remaining 2,000,000*l.* for issue at a higher price after the lapse of six months, when the security should be better appreciated.

Remainder of Loan not issued, France and England agreeing to guarantee a larger Loan.

Instead of issuing the 2,000,000*l.*, when it was found that Turkey must raise more money for the war expenses, France and England agreed to guarantee a loan to the extent of 5,000,000*l.* in a 4 per cent. stock, taking as security, over and above the general revenues of Turkey, that portion of the Egyptian tribute which was released by the suppression of the 2,000,000*l.* of the Loan of 1854 and the Customs of Smyrna and Syria.

Her Majesty's Government acknowledge bondholders of 1854 as first mortgagees of the Egyptian tribute, taking themselves the position of second mortgagees for a portion thereof.

The VIIth clause of the Convention, relating to the Guaranteed Loan, expressly recognizes the prior claim of the 3,000,000*l.* of the loan of 1854 on the Egyptian tribute. This, for principal and interest, requires annually 210,000. So the amount assigned to France and England was taken avowedly at 72,000*l.* and no more.

Instructions to Bank of England.

The contractors, Baron Goldsmid and Mr. J. H. Palmer, to whom the remittances of the tribute were sent in the first instance, in accordance with the Firman and Hatti-Scheriff of the Sultan, handed them to the Bank of England, with instructions to open the account for the Egyptian tribute for the Loan of 1854, and arranged that the Representative of the Turkish Government in England should give periodical

orders as to the date when, in accordance with the contract, the money should be paid to the Agents appointed to pay the dividends.

Position of the Bank of England in regard to remittance of tribute for service of Loan.

The correspondence between the contractors, the Bank of England, and the Ambassador, is so clear on this point, that the Bank is made the custodian of the fund, and is unable to part with the money for any other purpose than the service of the loan.

Position of Bank of England on issue of Loan of 1855.

When the contract for the Loan of 1855 was completed, the Bank of England was made again a party to the arrangements, and has always assumed the duty of making strict estimates and partitions of the fund in accordance with the contract and Convention for the Loans of 1854 and 1855.

The Decree of October 1875 as affecting the Loan of 1854, '55, and '71.

Since the Iradé of the 6th October last, which professes to deal with all loans on one uniform basis, paying only half interest and sinking fund, irrespective of special hypothecation, or prices of issue. No exception is made even as to the Loan of 1854, and the Ambassador has attempted to obtain for the Loan of 1855, which becomes due on the 1st proximo, a sum of 70,000*l.* from the Egyptian Tribute, whereas by the ordinary process of calculation there is no more than 55,000*l.*, applicable to the service of the Loan of 1855, without infringing on the sum needed for the interest on the Loan of 1854, due the 10th April next. The Bank of England, acting under the advice of counsel, has declined to admit the demand of the Turkish Ambassador, and the result is, the amount needed for the interest on the Guaranted Loan of 1855, due 1st proximo, is at this moment deficient by 15,000*l.*, which, if not provided by the Turkish Government before Monday next, must be found by Her Majesty's Treasury. The questions raised under the foregoing facts have been very anxiously considered by all parties interested in the Loan of 1854, because it has been intimated by persons in authority that when the Turkish Government find the legal difficulties which stand in the way of the execution of their Decree of 6th October, they will at once revoke the Firman and Hatti-Scheriff in virtue of which the Viceroy of Egypt now sends the Tribute to the Bank of England. Such a proceeding does not seem quite so easy as might appear at first sight, for it cannot be done without—

State of funds in Bank of England applicable to payments for service of Loans.

January 31st. Responsibility which may be incurred by Her Majesty's Government.

Possible revocation of Firman directing Khedive to remit tribute to Bank of England.

Difficulties attending such an act.

First. Proclaiming to the world that the most solemn instrument which the Turkish Government can issue, viz., a Firman bearing the autograph of the Sultan, can be revoked at pleasure; and, be it remarked, the Khedive of Egypt himself holds his privileges by no more sacred tenure.

Secondly. If the tribute is diverted from its present destination to Constantinople, the 72,000*l.* assigned to England and France by the Convention of 1855 is taken away from them.

The Loan of 1871.

In 1871 a loan of 5,700,000*l.*, nominal, was raised in London at the price of 73 per cent. (when other 67 loans were only worth 57), upon the security of the Egyptian tribute, arranged between the Sultan and the Khedive in 1866, in consideration of additional privileges and territory then accorded to His Highness. The papers and documents, and the correspondence between the contractors, the Bank of England, and the Ambassador, are all identical with those pre-existing in reference to the Loan of 1854, and with this addition, that the Khedive has addressed a letter to the contractors of the loan, acknowledging the receipt of the Firman and Hatti-Scheriff, and engaging to send the money regularly to the Bank of England.

Conditions.

Under this arrangement 399,000*l.* comes regularly in two half-yearly payments to the Bank of England, and is held by them subject to an order of the Ambassador as to the date of payment to the agents, but applicable solely to the purposes of the Tribute Loan of 1871.

Personal engagement of the Khedive.

Payments to Bank of England for service of this Loan.

The pecuniary straits to which the Turkish Government are reduced induce a disposition on the part of all her creditors to make some concessions, and upon that principle a very large meeting of holders of the bonds of the two Tribute Loans has given unanimously full powers to Messrs. Dent, Palmer, and Co., to treat with the Porte.

Bondholders willing to make concessions.

The eldest son of Mr. E. H. Palmer, Mr. Greville H. Palmer, who is a partner in the firm, has accordingly been sent to Constantinople upon this mission. The instructions he has received are to negotiate upon the basis of admitting the service of the Loans of 1854, 1855, and 1871 to be provided entirely out of the Egyptian tribute.

Mission of Mr. G. Palmer (Dent, Palmer, and Co.) to Constantinople, with view of arrangement.

This can be done as follows:—

Scheme of arrangement.

	£	£
The tribute assigned to Loans of 1854-55 is		282,000
The tribute assigned to Loan of 1871 is		399,000
		681,000
Loan 1854—Amount now out, 1,896,500*l.*; at 6 per cent...	113,790	
Loan 1855—Gross amount of Loan, 5,000,000*l.*; for interest and sinking fund	250,000	
Loan 1871—Amount now out, 5,450,660*l.*; at 5 per cent...	272,503	
		636,293
		44,707
Commission for paying interest, &c., on 636,293*l.*, at ½ per cent. ..		3,181
Surplus applicable to sinking fund or purchase of bonds in market..		41,526

It is submitted that an arrangement on this basis will be very beneficial to all parties interested.

1. To the Governments of England and France, as placing their Guaranteed Loan on the most secure basis that is possible under the circumstances.

2. To the holders of the Loans of 1854 and 1871, as giving substantial value to their property, through being thus connected permanently with the Guaranteed Loan of 1855.

3. To the Turkish Government, who are saved the humiliation of revoking the Firman and Hatti-Scheriff of the Sultan, and who would obtain very considerable concessions from their most privileged creditors.

It is not considered necessary in the present Memorandum to repeat the arguments in support of the connection of Her Majesty's Government of the time with the Loan of 1854, in consequence of their written statements and declarations in Parliament, or to advert to the political complications which might arise were an order to be given to the Khedive by the Sultan to divert the tribute from the place to which it was solemnly assigned, and to which it has been remitted regularly for twenty years.

(Signed) ARTHUR OTWAY.

Inclosure 2 in No. 175.

MM. Black et Durand sont dûment autorisés par la Sublime Porte à négocier un emprunt de 5,000,000 livres sterling, tous frais compris, et à offrir comme garantie spéciale 30,000,000 piastres du tribut annuel de l'Egypte.

Les Représentants de la Sublime Porte à Paris et à Londres sont autorisés, en vertu d'un Firman Impérial, à ratifier le contrat d'emprunt au nom du Sultan.

Le contrat passé entre MM. Black et Durand et MM. Goldsmid et Palmer a été porté à la connaissance de M. Drouyn de Lhuys, qui a confiance dans la bonne foi avec laquelle le Gouvernement Turc remplira les engagements qu'il a souscrits.

Paris, le 17 Août, 1854.

(Signé) DROUYN DE LHUYS.

Messrs. Black and Durand are duly authorized by the Sublime Porte to negotiate a loan of 5,000,000*l.* sterling, all expenses included, and to offer as a special guarantee 30,000,000 piastres of the annual tribute of Egypt.

The Representatives of the Sublime Porte at London and Paris are authorized, in virtue of Imperial Firmans, to ratify the contract of the loan in the name of the Sultan.

The contract between Messrs. Black and Durand and Messrs. Goldsmid and Palmer has been concluded with the knowledge of Lord Clarendon, who has confidence in the good faith with which the Turkish Government will fulfil the engagements they have entered into.

Foreign Office, August 15, 1854.

(Signed) CLARENDON.

No. 176.

Musurus Pasha to the Earl of Derby.—(Received January 31.)

My Lord, *Ambassade Impériale Ottomane, Londres, le 29 Janvier*, 1876.

JE viens de recevoir la Note que votre Excellence m'a fait l'honneur de m'adresser en date du 27 de ce mois pour me faire savoir que le Gouvernement de Sa Majesté la Reine, ayant été informé que la Banque d'Angleterre avait besoin d'une somme de 15,400*l.* pour compléter le montant des intérêts de l'Emprunt de 1855 pour le semestre échéant le 1er Février prochain, s'empresse de me faire part de cette circonstance afin que le Gouvernement Impérial pourvoie immédiatement à la remise de la dite somme à la Banque d'Angleterre.

Cette somme de 15,400*l.* se trouve actuellement entre les mains de la Banque d'Angleterre, qui, par les instructions que, par ordre du Gouvernement Impérial, je lui ai adressées à cet effet, est autorisée à l'appliquer au susdit service de l'Emprunt de 1855. Mais il semble que, si la Banque hésite à se conformer à mes instructions, c'est qu'elle appréhende des réclamations de la part des porteurs de titres de l'Emprunt de 1854. Or, le Gouvernement Impérial ne s'attendait point à de telles hésitations de la part de la Banque envers laquelle il n'a pris aucun engagement en ce qui concerne le tribut d'Egypte et l'Emprunt de 1854, et qui n'a été jusqu'ici qu'un simple agent du Gouvernement Impérial à cet égard. Le fait est que le tribut d'Egypte est remis à la Banque d'Angleterre pour le compte de la Sublime Porte, et que la Banque n'a effectué jusqu'ici, ni ne peut effectuer aucun payement sur ce tribut sans un ordre spécial de l'Ambassade Impériale.

Votre Excellence a été informée par les communications de son Excellence Safvet Pacha à son Excellence Sir Henry Elliot, et celles de cette Ambassade, que le Décret relatif au payement des intérêts et de l'amortissement de la Dette Intérieure et Extérieure de l'Empire, moitié en espèces, moitié en obligations portant intérêt 5 pour cent, est applicable à tous les emprunts, et que le seul emprunt qui soit excepté de l'application de cette mesure est celui de 1855, ainsi qu'il appert de la note de son Excellence Safvet Pacha du 6 Octobre dernier, dont le texte est reproduit dans la note précitée de votre Excellence. Dès lors, cette décision du Gouvernement Impérial est applicable à l'Emprunt de 1854, comme à tous les autres emprunts, excepté celui de 1855; et il n'appartient pas à la Banque d'Angleterre, qui n'est, comme il a été dit plus haut, qu'un simple Agent du Gouvernement Impérial, d'intervenir en faveur de qui que ce soit.

Déjà, par ma lettre du 14 Décembre dernier, j'avais informé la Banque d'Angleterre que le complément du service de l'Emprunt de 1855 pour le semestre échéant le 1er Février prochain serait pris, d'après le Décret du 6 Octobre, sur la moitié du service de l'Emprunt de 1854 pour le semestre échéant le 10 Avril 1876; et il est à regretter qu'elle n'ait fait auprès du Gouvernement de Sa Majesté la Reine la démarche qui fait l'objet de la note précitée de votre Excellence, que quelques jours avant l'échéance du 1er Février.

Quoi qu'il en soit, je m'empresserai de communiquer au Gouvernement Impérial le contenu de la note précitée de votre Excellence. Mais, en attendant, je prie votre Excellence, et par son entremise le Gouvernement de Sa Majesté la Reine, de vouloir bien engager la Banque d'Angleterre à se conformer à mes instructions en ce qui concerne l'échéance prochaine de l'Emprunt de 1855, en la garantissant de ma part, au nom du Gouvernement Impérial, contre tout dommage pouvant résulter des conséquences légales qu'elle appréhende.

J'ai, &c.
(Signé) MUSURUS.

No. 177.

Lord Lyons to the Earl of Derby.—(Received January 31.)

(No. 68.)
My Lord, *Paris, January 30*, 1876.

I HAD this morning the honour to receive your Lordship's despatch of the day before yesterday, No. 89, informing me that an intimation had been received from the Bank of England that there was a deficiency of 15,400*l.* in the amount available at the Bank for meeting the dividends due on the 1st of February on the Guaranteed Loan of 1855.

I went as soon as possible to the Duc Decazes, and, after explaining the state of the case to him, told him that I was directed by your Lordship to suggest that the French Government should act, as Her Majesty's Government had done, and immediately represent to the Porte the necessity of taking at once measures to supply the sum wanting.

The Duke said that there were numerous considerations which might find place in a leisurely discussion of the question of the relative position of the Guaranteed Loan and the other loans; but that the immediate duty of the Government appeared to be to guard the interests of the State, which was in imminent danger of being called upon to disburse a not inconsiderable sum to supply the deficiencies of the Porte. He should therefore (he proceeded to tell me) send off immediately by telegraph an instruction to the French Ambassador at Constantinople to call upon the Porte, in strong terms, to fulfil its engagements towards the two Guaranteeing Powers, and to take measures forthwith to provide the necessary funds.

The Duke said that, in order to supply these funds in time, it would of course be necessary that the Porte should send directions to London by return of telegraph. He added that he thought it the more necessary that France and England should be peremptory with the Porte on this first occasion, as if they once allowed a failure to pay any part of the charges on the Guaranteed Loan, things would certainly run on in the same groove, and a deficiency have to be provided for every time the dividends were due.

I had brought with me a copy of your Lordship's note to Musurus Pasha of the 27th instant, and a memorandum of the substance of your telegram to Sir Henry Elliot of the 28th instant. I allowed the Duc Decazes to read these papers, and, at his request, left them with him.

I have the honour to inclose a copy of the memorandum.

I have, &c.
(Signed) LYONS.

Inclosure in No. 177.

Memorandum presented to the Duc Decazes.

HER Majesty's Government are informed by the Bank of England that the sum required to pay the dividend due on the 1st of February, upon the guaranteed Ottoman Loan of 1855, is deficient by 15,400*l.*

The Bank is advised by counsel that its duty is to retain enough of the Egyptian tribute to pay the whole of the April dividend on the Loan of 1854, before it pays the dividend of the 1st proximo on the Guaranteed Loan.

Hence the deficiency.

Lord Derby has addressed remonstrances to the Ottoman Ambassador in London. He has also instructed Her Majesty's Ambassador at Constantinople, by telegraph, to call upon the Porte to fulfil its assurances that the interest on the Loan of 1855 would be paid. He has, moreover, desired Her Majesty's Ambassador to point out to the Porte that, if any delay takes place, the Guaranteeing Powers will have to provide the interest—that this will entail publicity immediately, and, in all probability, eventually discussion in Parliament.

The Ambassador is to represent to the Porte how seriously this would damage the credit of Turkey, and how unfavourable an effect it would have upon public opinion in Europe. He is therefore to urge that provision be made forthwith by the Porte for the full payment of the interest on the Guaranteed Loan, irrespectively of any questions between the Porte and the Bank of England.

Lord Derby would suggest that similar representations, made as soon as possible by the French Government to the Porte, would have a very beneficial effect.

Paris, January 30, 1876.

No. 178.

Sir H. Elliot to the Earl of Derby.—(Received January 31, at night.)

(Telegraphic.) *Constantinople, January 31, 1876, 10·30 P.M.*

MINISTER of Finance made difficulties about sending the money to make up the amount of the coupon due to-morrow.

I had a long discussion with him and the Grand Vizier this morning, and a telegram has now been sent to Musurus Pasha desiring him to authorize Bank of England to take, as an advance, the 15,400*l.* required to complete the amount, making the necessary reservations for its restoration on an ultimate settlement of the accounts.

I am told this arrangement was proposed by Bank to Musurus Pasha, who did not consider himself able to consent without authorization.

No. 179.

Mr. Lister to Mr. Lingen.

Sir, *Foreign Office, January 31, 1876.*

I AM directed by the Earl of Derby to request that you will inform the Lords Commissioners of Her Majesty's Treasury that upon the receipt of your letter of the 20th instant, stating that after paying the dividends due to the bondholders of the Loan of 1854 the Bank of England would not hold sufficient assets to meet the coupons due on the 1st proximo of the bondholders of the Guaranteed Loan of 1855, his Lordship addressed a note to the Turkish Ambassador at this Court, of which I inclose a copy,* urging his Excellency to take such steps as would enable him to instruct the Bank of England to meet the deficit in question, and thus maintain the credit of the Turkish Government.

I also inclose a copy of a telegram which Lord Derby addressed to Her Majesty's Ambassador at Constantinople upon the subject.†

I now transmit to you copies of the replies received from both quarters,‡ from which their Lordships will see that the view taken by Musurus Pasha is that the Directors of the Bank were not authorized to use their own judgment as to the payment in full of the claims of the holders of the 1854 coupons before satisfying the claims of the bondholders of the 1855 Loan as directed by the Porte.

The contents, however, of the telegram received from Sir H. Elliot induce Lord Derby to hope that the necessary arrangements will be made for meeting the demands of both classes of bondholders.

I am, &c.
(Signed) T. V. LISTER.

No. 180.

Mr. Lister to Mr. Lingen.

Sir, *Foreign Office, February 1, 1876.*

WITH reference to my letter of the 31st ultimo, I am directed by the Earl of Derby to transmit to you herewith, to be laid before the Lords Commissioners of Her Majesty's Treasury, the decypher of a telegram from Her Majesty's Ambassador at Constantinople,§ reporting the steps taken by the Porte to meet the amount of interest due on the Guaranteed Loan of 1855.

I am, &c.
(Signed) T. V. LISTER.

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* No. 160. † No. 170. ‡ Nos. 173 and 176.
§ No. 178.

No. 181.

Mr. Lister to Mr. Lingen.

Sir, *Foreign Office, February 1, 1876.*

WITH reference to my letter of yesterday's date, I am directed by the Earl of Derby to request that you will inform the Lords Commissioners of Her Majesty's Treasury that the Turkish Ambassador called here to-day, and stated that he had received a telegram from his Government maintaining its decision to make no exception in favour of the bondholders of 1854, but that if the Bank of England asked him to allow it to pay the 15,400*l.* as an advance, he would consent on behalf of his Government to such a proposal, making at the same time the necessary reservations.

Musurus Pasha added that he had not communicated this telegram to the Bank of England, but should wait for them to make the proposal to him.

On being asked whether the "necessary reservations" implied that the Bank might eventually find itself in danger of losing the sum advanced, his Excellency said that he could promise that the Bank would not incur the slightest risk.

I am, &c.
(Signed) T. V. LISTER.

No. 182.

Mr. Otway to the Earl of Derby.—(Received February 2.)

Dear Lord Derby, 19, *Cromwell Road, February 2, 1876.*

I HOPE you will pardon my sending you the inclosed note which I have just received from Mr. Palmer, the Deputy Governor of the Bank of England.

It has always appeared to me to concern Her Majesty's Government that entire security should be obtained against any liability on account of the guarantee of England and France for the Loan of 1855, by a continued and certain remission of the Tribute of Egypt to the Bank of England.

I am, &c.
(Signed) ARTHUR OTWAY.

Inclosure in No. 182.

Mr. Palmer to Mr. Otway.

My dear Otway, *Bank of England, February 2, 1876.*

ONE line just to say my son arrived at Constantinople on the 30th, and on the following day (the 31st) had an audience of the Grand Vizier, who received his proposals and agreed to take them into consideration. This I learn by a telegram received yesterday. Under these circumstances you see that this is now the time when whatever unofficial aid can be rendered should be put in motion.

Would you mind bringing this state of affairs before Lord Derby and suggesting to him to instruct Sir Henry Elliot to intimate to the Grand Vizier that if in the negotiation with my son entire provision for the Loan of 1855 can be charged on the Egyptian Tribute, the arrangement will be very acceptable to the English Government.

In this way Lord Derby will be relieved from any direct interference in favour of the bondholders of 1854.

Yours, &c.
(Signed) EDWD. HOWLEY PALMER.

No. 183.

Sir H. Elliot to the Earl of Derby.—(Received February 4.)

(No. 78. Secret.)
My Lord, *Constantinople, January 20, 1876.*

IT has been reported for some days that the Sultan had insisted upon having a sum of money, variously stated at 50,000*l.* and 250,000*l.*, sent to him from the Ministry of Finance or one of the public departments.

I was slow to believe such a thing to be possible at a moment when, in order to pay the coupon, the different departments were being literally starved.

I regret, however, to say that I have ascertained the fact to be indisputably true, and that the amount so taken by the Sultan was 80,000*l.*

Very few weeks ago it was stated that, His Majesty having heard of a considerable remittance being made from one of the Provinces, had insisted upon having a large proportion of it, and although I am not in a position to vouch for the truth of this story, I am still less able to contradict it.

As an example of the condition in which the Treasury at present finds itself, I may mention that at the Admiralty, where the payments are usually made with greater regularity than in the other departments, the salaries of the employés are nine months in arrear, while even the workmen have been left five months without pay.

Your Lordship will not think it surprising, under these circumstances, if the unpopularity of the Sultan is daily becoming more intense among all classes.

I have, &c.
(Signed) HENRY ELLIOT.

No. 184.

Sir H. Elliot to the Earl of Derby.—(Received February 8.)

(Telegraphic.) *Constantinople, February 8, 1876, 1·15 P.M.*

MR. HAMOND left Constantinople yesterday.

The answer he received from the Turkish Government was that they were disposed to give favourable consideration to his project when he is in a position to satisfy them that it is unanimously supported by the bondholders.

No. 185.

Sir H. Elliot to the Earl of Derby.—(Received February 8.)

(Telegraphic.) *Constantinople, February 8, 1876, 1·20 P.M.*

MR. PALMER tells me that Her Majesty's Government are favourable to the proposal he is making to the Porte, under which the Egyptian tribute would be secured for service of loans which he represents, and of the loan guaranteed by English and French Governments.

I should be glad to know to what extent this is correct.

No. 186.

Mr. Franklin to the Earl of Derby.—(Received February 11.)

My Lord, *London Institution, Finsbury Circus, February 11, 1876.*

I BEG leave to acknowledge receipt of Lord Tenterden's letter of 6th January, and observing therefrom that it has not been found convenient to convey, in manner suggested, the remonstrance of the 1862 bondholders against misappropriation of funds held for their account specifically, and against the impounding of their overdue coupons when presented for payment. Your Lordship is relied upon as heretofore for laying the correspondence before Parliament.

In this case, the injury sustained is not simply evasion of distinctive pledges, but the laying of violent hands on moneys identifiable as private property. And the wrong is perpetrated not so much in despite of the part taken by Her Majesty's Govern-

ment in inducing subscriptions to this loan, as in consequence of the part so taken, and held to excuse the Ottoman Bank (contractors for the loan) from the duty of championing the bondholders.

Thus, while bondholders of other Ottoman loans, and creditors for unsecured and unfunded debts find their respective champions, we the 1862 bondholders are subjected to the antagonism, open and covert, of our quasi-representatives, those whom Her Majesty's Government originally commended to our confidence. In a communication to your Lordship from the Imperial Ottoman Bank, laid before Parliament, that institution, arrogating the function of our representative, surrendered to the Porte, for advantage of itself and others, the very safeguards which had, from the first, been the main reliance of the 1862 bondholders.

Your Lordship is aware that indiscriminate gatherings of so-called Turkish creditors seek to override *bonâ fide* bondholders; that persons whose vocation is to profit by violent fluctuations producible in prices of stocks, can destroy the fitness of such stocks for legitimate investment, and that, in a recent meeting, it was unblushingly avowed that the unsecured and unfunded debts of Turkey will prove the best paying speculation, because such are the holdings of those who administer and manipulate Turkish revenues.

In such circumstances, and until the Porte seek, as heretofore, the councils of Her Majesty's Government, your Lordship is relied upon for the publication of the facts.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 187.

The Earl of Derby to Sir H. Elliot.

(Telegraphic.) *Foreign Office, February 12, 1876, 5·50 P.M.*

IN reply to your telegram of the 8th instant, Her Majesty's Government have not promised and cannot instruct you to do more than give your unofficial assistance to Mr. Palmer, or other representatives of the bondholders, to procure that their proposals shall be submitted to the Porte.

No. 188.

Sir H. Elliot to the Earl of Derby.—(Received February 13.)

(No. 125.)
My Lord, *Constantinople, January 30, 1876.*

I SENT Mr. Sandison yesterday to the Grand Vizier, with instructions to communicate to His Highness the substance of your Lordship's telegram in reference to the difficulty made by the Bank of England with regard to the payment of the coupon of the 1855 Loan, due on the 1st of February. His Highness promised that the amount of the deficit should be immediately remitted to England, reserving for future discussion the question of the payment in full of the interest on the Egyptian Tribute Loan of 1854.

I have, &c.
(Signed) HENRY ELLIOT.

No. 189.

Sir H. Elliot to the Earl of Derby.—(Received February 13.)

(No. 126.)
My Lord, *Constantinople, January 30, 1876.*

MR. HAMOND arrived here a few days ago, and upon his calling upon me I informed him of the instructions I had received from your Lordship to give him such unofficial assistance as I properly could.

Mr. Greville Palmer having also arrived delivered to me a similar introduction from your Lordship.

The Turkish Ministers sometimes ask me which of these gentlemen they are to

regard as representing the British bondholders, to which I reply that while Mr. Palmer represents the Tribute Loans, Mr. Hamond is here in support of the scheme which he proposed, and which I understood to have received the general approval of the bulk of the bondholders, and every consideration should be given to the propositions which they may lay before the Porte.

The estimate of each of these gentlemen as to their respective titles to be regarded as representing the bondholders is so different that I am constrained to be very cautious in supporting either of them, although their immediate objects do no not appear necessarily antagonistic—that of Mr. Palmer being to retain for the Tribute Loans the special securities affected to them, which need not perhaps be incompatible with Mr. Hamond's scheme for the manner in which the reduction of the interest on the debt should be carried out.

I have, &c.
(Signed) HENRY ELLIOT.

No. 190.

Sir H. Elliot to the Earl of Derby.—(*Received February* 13.)

(No. 134.)
My Lord, *Constantinople, January* 31, 1876.

THE Grand Vizier sent one of the gentlemen of the Foreign Office to me late yesterday evening to say that the Minister of Finance had raised difficulties about remitting to the Bank of England the 15,400*l.* required to make up the sum required for the payment of the coupon of the Loan of 1855.

I proceeded this morning to the Grand Vizier's house, where I had a very long discussion with His Highness and the Minister of Finance, who insisted that if the Porte sent the money and thus admitted the right of the Bank to retain for the service of the 1854 Loan the amount of the entire, instead of the reduced coupon, it would lead to the break down of the whole of the late measure.

The same claim would be advanced for the other Tribute Loan, and a distinction established between them and the rest of the debt that could not be allowed.

I repeatedly represented that the Porte was not asked to admit that the Bank of England was in the right in retaining the whole amount, and that all that was required was to provide it with the funds for paying the coupon of the Guaranteed Loan due to-morrow, leaving the question at issue between the Porte and the Bank for subsequent discussion.

The Minister refused to be convinced, and maintained his objection.

At one period of the discussion I was asked whether I would consent to receive at Her Majesty's Embassy the amount of the alleged deficit, as a security that the guaranteeing Governments would not be losers.

I declined the suggestion, saying that, so far as I understood the course which would be followed, the application to the guaranteeing Governments would only be made after a formal announcement by the Bank of England that it had not been provided by the Porte with the necessary funds for paying the coupon, and I did not believe that Her Majesty's Government would wish in any way to be mixed up in the question till such an eventuality had occurred.

I had some private conversation with the Grand Vizier after the Minister of Finance had left, and strongly urged him not to oblige me to telegraph that the money would not be forthcoming, or allow it to be published all over Europe that the coupon had not been paid, and that the guaranteeing Governments must be appealed to.

His Highness asked me to give him a few hours to consider, and in the afternoon I received from him the accompanying abstract of a telegram forwarded to Musurus Pasha directing him to authorize the Bank to take as an advance the necessary 15,400*l.*, making formal reserves for providing for its repayment upon a future settlement of accounts.

I am informed that this was the arrangement proposed by the Bank of England to Musurus Pasha, who, however, did not consider himself at liberty to agree to it without the authorisation of the Porte.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure in No. 190.

Substance of Telegram from the Sublime Porte to Musurus Pasha, dated January 31, 1876.

LA dernière mesure financière sera strictement appliquée à l'Emprunt de 1854. Toutefois le Gouvernement Impérial, par déférence pour la Banque d'Angleterre, l'autorise à prendre à titre d'avance 15,400*l.* pour compléter l'échéance du 1er Fevrier de l'Emprunt Garanti de 1855, en l'entourant de la manière la plus formelle de toutes les réserves pour le règlement de comptes ultérieurs et pour la restitution de cette somme en vue de l'exécution de la mesure ci-haut mentionnée.

Veuillez faire une notification dans ce sens à la Banque d'Angleterre.

No. 191.

Sir H. Elliot to the Earl of Derby.—(*Received February* 13.)

(No. 135. Confidential.)
My Lord, *Constantinople, January* 31, 1876.

IMMEDIATELY after my return from the Grand Vizier I had a visit from the French Ambassador, who had received from his Government a despatch similar to your Lordship's respecting the payment of the coupon of the Guaranteed Loan.

I told Monsieur de Bourgoing what had passed between the Grand Vizier and myself upon a question which affected our two Governments equally.

When I mentioned to him that it had been proposed to deposit the 15,400*l.* at Her Majesty's Embassy, but that I had declined to agree to such an arrangement, Monsieur de Bourgoing said that if the offer had been made to him he thought that he would have acceded to it.

I said my object had been to persuade the Porte to arrange with the Bank of England for the payment of the coupon without reference to our Governments, and as I was convinced that there was not the slightest risk of their being left to make up the deficiency, I had not wished to accept the deposit, and so to facilitate the least desirable mode of arrangement.

If the Porte should take no steps to ensure the payment we should concert together as to the best means of securing the interests of our Governments.

As soon as I received the abstract of the telegram to Musurus Pasha I forwarded it to Monsieur de Bourgoing.

When the proposal was made to me I was obliged to decide without knowing my colleague's opinion, but it certainly appeared to me more desirable to decline to accede to it.

I have, &c.
(Signed) HENRY ELLIOT.

No. 192.

Sir H. Elliot to the Earl of Derby.—(*Received February* 13.)

(No. 136. Secret.)
My Lord, *Constantinople, January* 31, 1876.

A STATEMENT has been made to me respecting the amount of the public revenues which has been appropriated by the Sultan, upon authority so good that, incredible as it appears, I am bound to report it to your Lordship.

I am assured that during the last three years it has reached the amount of 14,000,000*l.*

In addition to the very large civil list, the crown lands are stated to bring in to His Majesty 100,000*l.* a-month in round numbers.

The numerous khans, baths, public buildings, and farms which bring His Majesty large revenues are, I am assured, maintained and kept in repair at the public expense.

The large Steam Navigation Company, Azizie, belonging almost entirely to the Palace and depending so closely upon the Admiralty that all the repairs to their

shipping is understood to be done in the Imperial dockyards, likewise brings in a large revenue.

I have, &c.
(Signed) HENRY ELLIOT.

No. 193.

Sir H. Elliot to the Earl of Derby.—(Received February 13.)

(No. 150. Confidential.)
My Lord, *Pera, February 3, 1876.*

MR. HAMOND has mentioned to me a conversation with the Austro-Hungarian Ambassador which, if he reports it correctly, would indicate that a suspicion of the ulterior designs of Russia on this country is taking the place of the unbounded confidence in her which he has hitherto exhibited.

He said that Count Zichy, having sent for him to speak of his scheme for the payment of the reduced interest on the Public Debt, had assured him of his warm support of it at the Porte, stating that it was an object of the highest importance to raise the credit of Turkey, so that in the event of an attack from Russia there might be the means of raising the necessary funds for preparing to resist it.

From the conversations which I have had with Mr. Hamond, I take him to be a man of very enthusiastic temperament, and not unlikely to imagine that the person to whom he was talking had fully endorsed the arguments which he himself brought forward in support of his project.

It seems fully as probable that this is what may have occurred in the present instance as that it was Count Zichy who used this language.

I have, &c.
(Signed) HENRY ELLIOT.

No. 194.

Mr. Gibbs to Sir S. Northcote.—(Received February 14.)

(Private.)
My dear Northcote, *Bank of England, February 14, 1876.*

I THINK I ought to mention to you that, notwithstanding the telegram from the Grand Vizier promising that the Bank should be "immediately placed in funds," none have been as yet forthcoming.

You will consider whether and when you ought to take any steps about it.

Sincerely yours,
(Signed) HENRY H. GIBBS.

No. 195.

Lord Tenterden to Mr. Otway.

Sir, *Foreign Office, February 14, 1876.*

IN reply to your letter of the 2nd instant I am directed by the Earl of Derby to inform you that his Lordship regrets that he cannot depart from the intimation conveyed to you in my letter of the 27th ultimo, or do more than instruct Her Majesty's Ambassador at Constantinople to give his unofficial assistance to Mr. G. Palmer or other representatives of the bondholders to procure that their proposals should be submitted to the Porte.

I am, &c.
(Signed) TENTERDEN.

No. 196.

Lord Tenterden to Mr. Franklin.

Sir, *Foreign Office, February 15, 1876.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 11th instant on the subject of the Ottoman Loan of 1862.

I am, &c.
(Signed) TENTERDEN.

No. 197.

The Earl of Derby to Musurus Pasha.

M. l'Ambassadeur, *Foreign Office, February 15, 1876.*

I HAVE received from Her Majesty's Ambassador at Constantinople a résumé of the telegram sent by the Porte to your Excellency on the 31st ultimo, authorising the payment of the dividends due on the Guaranteed Loan of 1855, and which the Porte has repeatedly assured Her Majesty's Government should be met without fail.

Her Majesty's Government have relied upon these assurances being executed, but I have nevertheless new reason to believe that the funds have not been provided at the Bank.

I need scarcely point out to your Excellency the very serious effect which would be produced by the failure of the Ottoman Government to meet their obligations in respect to the Guaranteed Loan, and I must earnestly request your Excellency to impress upon your Government the necessity of carrying out their assurances.

Your Excellency will probably be aware that the attention of Parliament will be called to the matter the day after to-morrow, and I should be glad therefore to receive an intimation with the least possible delay that the funds have been provided as promised.

I am, &c.
(Signed) DERBY.

No. 198.

The Earl of Derby to Sir H. Elliot.

(Telegraphic.) *Foreign Office, February 15, 1876, 5·40 P.M.*

NOTWITHSTANDING the telegram from Grand Vizier inclosed in your No. 134 of January 31, no funds have been provided to meet the Guaranteed Loan of 1855.

A question is to be asked on the subject in the House of Commons.

Urge most strongly on the Grand Vizier to fulfil his assurances. The consequences of a failure to meet the loan on the part of the Porte may be politically very serious.

No. 199.

The Earl of Derby to Lord Lyons.

(Telegraphic.) *Foreign Office, February 15, 1876, 5·40 P.M.*

I HAVE forwarded the following telegram to Sir H. Elliot:—

"Notwithstanding the telegram from Grand Vizier inclosed in your No. 134 of January 31, no funds have been provided to meet the Guaranteed Loan of 1855.

"A question is to be asked on the subject in the House of Commons.

"Urge most strongly on the Grand Vizier to fulfil his assurances. The consequences of a failure to meet the loan on the part of the Porte may be politically very serious."

Request French Government to send similar instructions. I have also written very strongly to Musurus.

No. 200.

Lord Tenterden to Mr. Lingen.

Sir, *Foreign Office, February* 16, 1876.

WITH reference to my letter of the 1st instant, respecting the deficit stated by the Bank of England to exist in the receipts from the Ottoman Government to meet the coupons of the Guaranteed Loan of 1856 due on the 1st instant, I am directed by the Earl of Derby to request that you will lay before the Lords of Her Majesty's Treasury the inclosed copy of a further letter from the Turkish Ambassador at this Court,* reporting the provisions which have been made to meet the engagements of the Porte, and I am to suggest that in compliance with Musurus Pasha's request, a copy of his letter may be forthwith communicated to the Bank of England.

I am, &c.

(Signed) TENTERDEN.

No. 201.

Lord Lyons to the Earl of Derby.—(Received February 16.)

(Telegraphic.) *Paris, February* 16, 1876.

WITH reference to your telegram of yesterday, I am informed by the Due Decazes that he has telegraphed the most energetic instructions to French Ambassador at Constantinople, respecting the failure of the Porte to provide for the Guaranteed Loan.

No. 202.

Musurus Pasha to the Earl of Derby.—(Received February 16.)

My Lord, *Ambassade Impériale Ottomane, Londres, le* 16 *Février*, 1876.

J'AI l'honneur d'accuser réception de la note que votre Excellence a bien voulu m'adresser en date d'hier au sujet d'un résumé, transmis à votre Excellence par l'Ambassadeur de Sa Majesté la Reine à Constantinople, de la dépêche télégraphique envoyée le 31 du mois dernier par la Sublime Porte à l'Ambassade Impériale à Londres, et autorisant le payement des intérêts de l'Emprunt Garanti de 1855 pour le semestre échu le 1er du mois courant.

Les fonds destinés au service de l'Emprunt Garanti pour le semestre échu, y compris la somme de 15,400*l.*, qui fait l'objet de la note de votre Excellence du 27 du mois dernier, se trouvent depuis longtemps entre les mains de la Banque d'Angleterre, qui, comme j'en ai informé votre Excellence par ma note responsive du 29 du mois dernier, avait déjà été autorisée par moi à prendre la dite somme de 15,400*l.* sur la moitié du service semestriel de l'Emprunt de 1854, échéant le 10 Avril prochain, c'est-à-dire sur cette moitié qui, d'après la dernière mesure financière de la Sublime Porte, sera payée en obligations portant intérêt 5 pour cent.

Quant à la dépêche télégraphique précitée de la Sublime Porte du 31 du mois dernier, elle m'enjoignait d'autoriser la Banque d'Angleterre à prendre, à titre d'avance, la somme de 15,400*l.*, destinée à compléter l'échéance du 1er Février de l'Emprunt Garanti de 1855, sur les fonds du tribut d'Égypte, tout en me prescrivant d'entourer cette autorisation, d'une façon explicite, de toutes les réserves nécessaires en ce qui concerne l'application de la dernière mesure financière à l'Emprunt de 1854.

Ce qui précède est la teneur exacte de la dépêche télégraphique que j'ai reçu de la Sublime Porte le 31 du mois dernier; et, si je n'en ai pas fait part à la Banque d'Angleterre, c'est parceque, n'ayant reçu de cette Banque, ni directement, ni par l'entremise du Foreign Office, aucune communication depuis ma note responsive du 29 du mois dernier, je croyais qu'elle trouvait suffisante mon autorisation précédente, à la suite des explications et des assurances contenues dans ma note responsive précitée.

Mais, comme je dois inférer de la note de votre Excellence à laquelle j'ai l'honneur de répondre que la Banque d'Angleterre tient à recevoir communication de l'autorisation de la Sublime Porte, telle qu'elle a été formulée dans sa dépêche

* No. 202.

No. 203*.

Lord Lyons to the Earl of Derby.—(Received February 17.)

(No. 109.)

My Lord, *Paris, February 16, 1876.*

I HAD last night the honour to receive your Lordship's telegram dated yesterday, respecting the failure of the Ottoman Government to provide for the interest due on the Guaranteed Loan of 1855.

I sent immediately to the Duc Decazes a letter, in which I made him acquainted with the substance of the instructions despatched in consequence by your Lordship to Sir Henry Elliot, and said that you earnestly desired that similar instructions should be given as speedily as possible by telegraph to the French Ambassador at Constantinople.

I have this morning received a letter from the Duke, saying that he has sent the most energetic instructions to the French Ambassador by telegraph.

I have, &c.
(Signed) LYONS.

télégraphique du 31 du mois dernier, je ne saurais mieux faire que de prier votre Excellence de vouloir bien lui faire parvenir une copie de la présente note qui reproduit la teneur de la dite dépêche télégraphique.

En attendant, je regrette d'apprendre par la note de votre Excellence d'hier que l'attention du Parlement sera appelée demain sur ce sujet; mais je présume que l'interpellation, en ce qui concerne l'Emprunt Garanti, n'aura pas pour objet le payement des intérêts échus de cet emprunt, auquel il a été déjà pourvu, mais la question de savoir si l'Emprunt de 1854 doit être excepté, comme l'Emprunt Garanti, de l'application de la dernière mesure financière, question dont je ne suis pas autorisé à admettre la discussion, et qui ne saurait être décidée accessoirement, à propos des arrangements concernant l'Emprunt Garanti.

J'ai, &c.
(Signé) MUSURUS.

No. 203.

Lord Tenterden to Mr. Lingen.

Sir, *Foreign Office, February 16, 1876.*

I AM directed by the Earl of Derby to request that you will inform the Lords Commissioners of Her Majesty's Treasury that a telegram has been received from Lord Lyons in which his Excellency states that the Duc Decazes had informed him that he had sent the most energetic instructions, by telegraph, to the French Ambassador at Constantinople, in regard to the failure of the Porte to provide for the interest on the Guaranteed Loan.

I am, &c.
(Signed) TENTERDEN.

No. 204.

Mr. Lingen to Lord Tenterden.—(Received February 17.)

My Lord, *Treasury Chambers, February 17, 1876.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of yesterday's date, in which the Secretary of State suggests that they should comply with the request of the Turkish Ambassador and forward a copy of his letter on the subject of the interest of the Guaranteed Loan of 1855 to the Bank of England.

My Lords would readily lend assistance to promote agreement between the Turkish Government and its Bankers, provided that, in so doing, they do not expose Her Majesty's Government to needless risk; but it appears to them that in the present instance they might incur risk in becoming the medium of communication between M. Musurus and the Bank, inasmuch as that Act would seem to imply that they have some voice or interest in the arrangements which the Porte may make with its Bankers in this country.

The Act of 1855, 18 and 19 Victoria, cap. 99, empowers this Board to cause to be issued from the Consolidated Fund such sums as may be required to fulfil the guarantee of Her Majesty in respect of interest on the Loan to which the Act refers.

My Lords do not pay the interest of this Loan. They are merely informed by the Bank if the money is not forthcoming, and as they cannot allow their faith to be called in question, they must, when called on to do so by the Bank, provide the sum which is necessary to satisfy the just claims of the holders of the security.

In the present case, my Lords expect daily that the Bank will call upon them to make a payment in satisfaction of the recent dividend, and they will instantly fulfil their engagements. They will then request Lord Derby to call upon the French Government to pay a moiety of any advance which may be made, and the two Governments will represent their case to the Turkish Government. But by the time that this occurs the transaction will have become public, and it will be known to the world that the Turkish Government have failed again to meet their liabilities.

It appears to my Lords that in face of this grave responsibility, it would be unwise in Her Majesty's Government to enter into any discussion of the private relations between the Turkish Government and the Bank of England. When that Government

failed to meet its engagements in the autumn of last year, it may have imprudently omitted to provide for the contingency which has now arisen; and it may have involved itself in legal difficulties with its Bankers. That, however, does not concern Her Majesty's Government. The engagement of my Lords is to the creditors of the Turkish Government under the Loan of 1855, and if they are informed by the Bank of England that the creditors will not be paid in full or part without an advance from this Board, that advance will be made, and unless the Turkish Government speedily provide the sum, repudiation will in fact have taken place.

My Lords would suggest, therefore, that Her Majesty's Government should not take part in the discussion that has arisen between the Turkish Ambassador and the Bank of England, but that M. Musurus should be warned of the consequences which will follow at once upon a demand being made upon this Board by the Bank of England.

I am, &c.
(Signed) R. R. W. LINGEN.

No. 205.

The Earl of Derby to Musurus Pasha.

Foreign Office, February 17, 1876.

M. l'Ambassadeur,

I HAVE the honour to inform your Excellency that I communicated to the Lords Commissioners of Her Majesty's Treasury your Excellency's letter of yesterday, and that their Lordships have advised me that Her Majesty's Government cannot properly undertake to forward a copy of your letter to the Bank of England, or in any way interfere between the Ottoman Embassy and the Bank.

Their Lordships hold that the engagements of Her Majesty's Treasury under the Act of Parliament of 1855, 18 and 19 Vict., c. 99, are towards the creditors of the Guaranteed Loan, and that if the Bank of England inform them that the Bank is not prepared to honour the claims of those creditors, the Treasury must at once make good the deficiency, in order to maintain the good faith of this country. Their Lordships are daily expecting a demand to this effect to be made upon them by the Bank of England, and thereupon they must at once provide the amount of the deficiency, their share of which the French Government will then be called upon to bear, and a formal claim be addressed to the Porte on behalf of both Governments.

By the time that this occurs the transaction will have become public, and it will be known by the world that the Turkish Government have failed again to meet their liabilities, and this after the most explicit assurances that these liabilities would be faithfully discharged.

I need scarcely remind your Excellency of the very serious responsibility which would be thereby entailed on the Porte.

I am, &c.
(Signed) DERBY.

No. 206.

*The Earl of Derby to Sir H. Elliot.**

Foreign Office, February 17, 1876, 12 P.M.

(Telegraphic.)

ANSWER from Musurus Pasha respecting the Guaranteed Loan unsatisfactory. He maintains argument that Bank have funds.

I have warned him of serious responsibility which will be entailed on the Porte if the Porte again proves a defaulter and fails to meet its liabilities in regard to this loan, after the explicit assurances which it has given.

The Porte should be urged most strongly to provide the funds at once. No time to be lost.

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* A similar telegram was addressed to Lord Lyons.

No. 207.

Musurus Pasha to the Earl of Derby.—(Received February 18.)

Ambassade Impériale Ottomane, Londres, le 18 *Février*, 1876.

My Lord,

A LA réception de la note que votre Excellence m'a fait l'honneur de m'adresser en date d'hier, je me suis empressé de communiquer à la Banque d'Angleterre la teneur de la dépêche télégraphique de la Sublime Porte du 31 du mois dernier, en l'autorisant à prendre, à titre d'avance, sur les fonds du tribut d'Egypte, la somme de 15,400*l.*, destinée à compléter le service de l'Emprunt Garanti de 1855 pour le semestre échu le 1er du mois courant; et j'attends avec impatience la réponse de la Banque d'Angleterre pour télégraphier au Gouvernement Impérial, afin de hâter la conclusion prompte et définitive de cet incident.

En attendant, je crois de mon devoir de donner à votre Excellence l'assurance la plus positive que, en aucun cas, la Sublime Porte ne manquera à ses engagements, et que les Gouvernements d'Angleterre et de France, qui ont garanti l'Emprunt de 1855, ne seront pas appelés à avancer pour elle la susdite somme de 15,400*l.*

J'ai, &c.
(Signé) MUSURUS.

No. 208.

Sir H. Elliot to the Earl of Derby.—(Received February 18.)

Constantinople, February 18, 1876.

(Telegraphic.)

I IMMEDIATELY communicated your Lordship's telegram of the 15th to the Porte, but the reply which I got yesterday from Raschid Pasha being vague and cautious, I again sent to urge him strongly to lose no opening in enabling me to inform your Lordship that the Bank of England had been provided with means to pay interest on the Guaranteed Loan.

Telegram has been sent to Musurus Pasha, inquiring whether he can arrange matter according to his former instructions; and if his answer is in the negative, Raschid Pasha says that other orders will be sent to ensure payment.

No. 209.

Sir H. Elliot to the Earl of Derby.—(Received February 18.)

Constantinople, February 8, 1876.

(No. 166.)

My Lord,

MR. HAMOND left Constantinople yesterday to return to London.

The uncertainty felt by the Porte whether Mr. Hamond fully represented the body of British holders of Turkish bonds prevented the Porte from giving a definite answer to his proposal, but he was informed that if he can show that his project is unanimously or generally supported by them the Porte will be disposed to give it a favourable consideration.

Mr. Hamond was much satisfied with the courtesy and attention which he met with from the Turkish Ministers, and received the present of a gold snuff box from the Grand Vizier.

Mr. Greville Palmer, who called upon me this morning, said that he had learnt from England that Her Majesty's Government are favourable to the proposal which he is making to the Porte, of which one provision is that the Egyptian Tribute should continue to be secured for the payment of the interest of the loans which he represents, and also for that of 1855, guaranteed by the British and French Governments.

I had yesterday expressed to Raschid Pasha my individual opinion that the holders of the Tribute Loan Bonds were justified in expecting to retain the securities promised to them, but I should be glad to know to what extent Her Majesty's Government approves of Mr. Palmer's proposals.

I have, &c.
(Signed) HENRY ELLIOT.

No. 210.

Sir H. Elliot to the Earl of Derby.—(Received February 18.)

(No. 177. Confidential.)

Constantinople, February 10, 1876.

My Lord,

I AM informed, upon what appears unquestionable authority, that the Sultan has sent an imperative order to the Grand Vizier to make up to him the amount deducted from his coupons under the late reduction of interest upon the public debt.

In another despatch I have spoken of the utter inability of the Public Departments to provide for the most pressing necessities, and the Minister of War admits that he would at no moment be surprised to hear that the troops in the Herzegovina refuse to act if kept in their present state of destitution.

The Commander-in-chief there has telegraphed to impress upon the Porte the necessity of immediately providing him with a sum of money to meet their pressing necessities, and the Minister has little to send them.

If with a knowledge of this state of things the Sultan persists in making large calls upon the finances, the prospects of the Empire may well be looked upon with dismay.

I have, &c.

(Signed) HENRY ELLIOT.

No. 211.

Lord Tenterden to Mr. Lingen.

(Confidential.)

Foreign Office, February 18, 1876.

Sir,

I TRANSMIT to you, for the information of the Lords of the Treasury, copies of despatches* from Her Majesty's Ambassador at Constantinople, respecting the funds necessary for meeting the coupons of the Ottoman Loan of 1855, which became due on the 1st instant, and I am to request that you will state that, with their Lordships' concurrence, Lord Derby proposes to approve Sir H. Elliot's language to the Grand Vizier, as reported in his Excellency's despatch No. 134 of the 31st ultimo.

I am, &c.

(Signed) TENTERDEN.

P.S.—Copies of the correspondence with the Turkish Ambassador,† are also inclosed.

T.

No. 212.

Lord Lyons to the Earl of Derby.‡—(Received February 18.)

(Telegraphic.)

Paris, February 18, 1876.

INSTRUCTIONS are sent by telegraph to French Ambassador at Constantinople to insist still more strongly on the Porte providing forthwith the interest on the Guaranteed Loan.

No. 213.

Lord Lyons to the Earl of Derby.—(Received February 19.)

(No. 119.)

Paris, February 18, 1876.

My Lord,

I RECEIVED early this morning your Lordship's telegram, dated midnight yesterday, and I immediately took steps to urge the French Government to send at once fresh orders to Constantinople to press the Porte again, and still more strongly, to meet at once its liabilities respecting the Guaranteed Loan.

The Duc Decazes is absent from Paris, but I am informed by M. Desprez, the director of Political Affaires in the French Foreign Office, that in addition to the two telegrams which had been previously despatched, a fresh instruction is sent to-day by telegraph to the French Ambassador at Constantinople, to unite with Sir Henry Elliot in

* Nos. 190, 191. † No. 207. ‡ Repeated to Sir H. Elliot.

insisting more urgently than ever upon the Porte's providing forthwith for the payment of the coupon of the Guaranteed Loan of 1855, which is now over due.

I have, &c.

(Signed) LYONS.

No. 214.

Sir H. Elliot to the Earl of Derby.—(Received February 19, night.)

(Telegraphic.)

Constantinople, February 19, 1876.

DISTINCT orders have been sent to Musurus Pasha to procure immediately 15,400*l.* to remit to the Bank of England, for the payment of the interest on the Guaranteed Loan, leaving for future settlement arrangements to be made in regard to financial measures of October.

Musurus Pasha had informed the Porte that arrangements for (providing?) this money have already been made, subject to the authorization which has been now sent to him.

No. 215.

Mr. W. H. Smith to Lord Tenterden.—(Received February 21.)

Treasury Chambers, February 19, 1876.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information of the Secretary of State, a copy of a letter, dated the 18th instant, from the Governors of the Bank of England, inclosing copies of a further correspondence which has taken place between those gentlemen and his Excellency the Turkish Ambassador in London, on the subject of the payment of the interest of the Turkish Guaranteed Loan of 1855.

I am, &c.

(Signed) W. H. SMITH.

Inclosure 1 in No. 215.

Mr. May to the Secretary to the Treasury.

Bank of England, February 18, 1876.

Sir,

IN continuation of my letter of the 17th January last, I am directed to hand you, for the information of the Lords Commissioners of Her Majesty's Treasury, a copy of a letter which has been received to-day from his Excellency the Turkish Ambassador, and of the reply which the Governors have caused to be sent thereto.

I am, &c.

(Signed) F. MAY, *Chief Cashier.*

Inclosure 2 in No. 215.

Musurus Pasha to the Deputy-Governor of the Bank of England.

Imperial Ottoman Embassy, London, February 18, 1876.

Gentlemen,

I BEG to inform you that I have received instructions from the Imperial Government to authorize you, and I do hereby authorize you, to take as an advance ("à titre d'avance") from the account of the Egyptian Tribute the sum of 15,400*l.*, and therewith complete the amount of the interest due on the 1st instant, on the Imperial Guaranteed Loan of 1855.

I am instructed to add that the terms of this authorization do not imply in any way that the late financial measure taken by the Sublime Porte will not be applied to the Imperial Loan of 1854, but that, while maintaining its reserves in that respect, the Imperial Government is desirous of deferring to the wishes of the Bank of England, in consequence of communications made by Her Majesty's Embassy at Constantinople.

Requesting you to be good enough to send me upon this subject an immediate answer, which is awaited by the Imperial Government, I have, &c.,

(Signed) MUSURUS.

Inclosure 3 in No. 215.

Mr. May to Musurus Pasha.

Bank of England, February 18, 1876.

Sir,

I AM directed by the Governors to acknowledge the receipt of your Excellency's letter of this date, stating that you authorised the Bank to take as an advance ("à titre d'advance"), from the account of the Egyptian Tribute, the sum of 15,400*l.*, and therewith complete the amount of the interest due on the 1st instant, on the Imperial Guaranteed Loan of 1855.

In reply, I am to inform your Excellency that the Governors regret that they are unable to comply with your request, as the balance of the account of the Egyptian Tribute does not admit of a larger appropriation than 55,000*l.* for the purposes of the Guaranteed Loan of 1855, as stated in my letter of the 15th ultimo, and there is no fund from which the advance can be made.

I have, &c.

(Signed) F. MAY, *Chief Cashier.*

No. 216.

Lord Tenterden to the Secretary to the Treasury.

Foreign Office, February 21, 1876.

Sir,

I AM directed by the Earl of Derby to transmit to you, for the information of the Lords of the Treasury, the inclosed decypher of a telegram from Her Majesty's Ambassador at Constantinople,* with reference to the payment of the February coupon of the Ottoman Loan of 1855.

I am, &c.

(Signed) TENTERDEN.

No. 217.

The Earl of Derby to Sir H. Elliot.

Foreign Office, February 21, 1876, 5 P.M.

(Telegraphic.)

BANK of England have declined to advance the money on Musurus Pasha's application, made in the terms of the Porte's instructions, reported in your telegram of January 31.

Press that sufficient arrangements be made at once, as time is of great importance.

No. 218.

Lord Tenterden to the Secretary to the Treasury.

Foreign Office, February 21, 1876.

Sir,

I AM directed by the Earl of Derby to transmit to you the inclosed copy of a letter from the Turkish Ambassador,† stating the steps he has taken for meeting the deficit due on the February coupon of the Ottoman Debt of 1855, and I am to request that you will move their Lordships to inform Lord Derby what answer, if any, they would wish returned to Musurus Pacha.

I annex copy of a telegram sent this afternoon to Sir H. Elliot on this subject:—

"Bank of England have declined to advance the money on Musurus Pasha's application made in the terms of the Porte's instructions reported in your telegram of January 31st. Press that sufficient arrangements be made at once, as time is of great importance."

I am, &c.

(Signed) TENTERDEN.

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* No. 214. † No. 207.

No. 219.

Sir H. Elliot to the Earl of Derby.—(*Received February* 22.)

Constantinople, February 22, 1876.

(Telegraphic.)

THE instructions sent to Musurus Pasha on Saturday had no reference to an advance to be made by the Bank of England.

Musurus Pasha has informed the Porte that he has made arrangements for procuring the money from third parties.

Telegram of Saturday was intended as an authorisation to conclude that arrangement and to pay the money to the Bank for the service of the Loan.

I have sent to the Porte to ask that another telegram should be sent to explain this to the Ambassador in case he should not have understood instruction.

No. 220.

Lord Tenterden to the Secretary to the Treasury.

Foreign Office, February 22, 1876.

Sir,

WITH reference to previous correspondence, I am directed by the Earl of Derby to transmit to you the decypher of a telegram just received from Her Majesty's Ambassador at Constantinople* relative to default of the Turkish Government to pay, up to the present time, the amount of interest due on the Guaranteed Loan of 1855.

I am, &c.

(Signed) TENTERDEN.

No. 221.

Mr. W. H. Smith to Lord Tenterden.—(*Received February* 23.)

Treasury Chambers, February 22, 1876.

My Lord,

IN reply to your Lordship's letter of the 18th inst., forwarding copies of despatches from Her Majesty's Ambassador at Constantinople, relative to the non-payment by the Turkish Government of the interest due on the Guaranteed Loan of 1855, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that my Lords entirely agree with Lord Derby in approving of Sir H. Elliot's language and conduct in refusing to receive at the British Embassy from the Grand Vizier the amount due as interest on the above Loan, as a security that the Guaranteeing Governments would not be losers.

I am, &c.

(Signed) W. H. SMITH.

No. 222.

Musurus Pasha to the Earl of Derby.—(*Received February* 23.)

Ambassade Impériale Ottomane, Londres, le 22 *Février*, 1876.

My Lord,

EN me référant à ma note du 18 de ce mois, j'ai l'honneur d'informer votre Excellence que la Banque d'Angleterre, à qui j'ai communiqué la teneur de la dépêche télégraphique de la Sublime Porte du 31 du mois dernier, m'ayant répondu qu'elle ne se croyait pas à même de se conformer à l'autorisation contenue dans la dite dépêche télégraphique, le Gouvernement Impérial, tout en maintenant l'application de la dernière mesure financière à l'Emprunt de 1854, m'a donné par télégraphe les instructions nécessaires pour le payement de la somme de 15,400*l.*, destinée à compléter le service de l'Emprunt Garanti de 1855 pour le semestre échu le 1er du mois courant; que je viens, par conséquent, de verser cette somme à la Banque d'Angleterre, et que, dès lors, l'incident concernant le service du dernier semestre de l'Emprunt Garanti se trouve définitivement réglé.

J'ai, &c.

(Signé) MUSURUS.

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* No. 219.

No. 223.

Mr. Lingen to Lord Tenterden.—(Received February 23.)

My Lord, *Treasury Chambers, February 23, 1876.*

IN reply to your Lordship's letter of the 21st instant, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that the reply to be sent to his Excellency the Turkish Ambassador's letter of the 18th instant should, in their Lordship's opinion, be to the effect that Her Majesty's Government have received with satisfaction the assurance given by M. Musurus in the last paragraph of his letter, viz,, that the guaranteeing Governments of England and France will not be called on to pay the outstanding interest on the Loan of 1855.

I am at the same time to convey to you the concurrence of their Lordships in the terms of the telegram dispatched to Sir Henry Elliot on the subject, a copy of which was attached to your Lordship's letter.

I am, &c.
(Signed) R. R. W. LINGEN.

No. 224.

Mr. Law to Lord Tenterden.—(Received February 24.)

My Lord, *Treasury Chambers, February 24, 1876.*

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for the information of the Secretary of State, a copy of a letter, dated the 23rd instant, from the Bank of England, stating that a cheque for 15,400*l.* has been received from his Excellency the Turkish Ambassador, thus completing the amount required for the payment of the half year's interest, due 1st instant, of the Turkish Guaranteed Loan of 1855.

I am at the same time to convey to you the expression of their Lordships' satisfaction that the Turkish Government have thus fulfilled their engagements.

I am, &c.
(Signed) WILLIAM LAW.

Inclosure in No. 224.

Mr. May to the Secretary to the Treasury.

Sir, *Bank of England, February 23, 1876.*

REFERRING to your letter of the 19th instant, I am directed to inform you that a cheque for 15,400*l.* has been received from his Excellency the Turkish Ambassador, thus completing the amount required for the payment of the half year's interest, due 1st instant, on the Imperial Ottoman Guaranteed Loan of 1855.

I am, &c.
(Signed) F. MAY, *Chief Cashier.*

No. 225.

Sir H. Elliot to the Earl of Derby.—(Received February 24, night.)

(Telegraphic.) *Constantinople, February 24, 1876.*

MUSURUS PASHA reports that he has paid into the Bank of England the amount required for the Loan of 1855.

No. 226.

The Earl of Derby to Sir H. Elliot.

(No. 114.)

Sir, *Foreign Office, February 24, 1876.*

IN reply to your despatch No. 166 of the 8th instant, requesting to be informed to what extent Her Majesty's Government approve Mr. Palmer's proposal for the adjustment of the Ottoman Loans, I have to inform your Excellency that Her Majesty's Government have not promised, and cannot instruct you to do more than give your unofficial assistance to Mr. Palmer, or to other representatives of the bondholders, with the view of obtaining the consideration of their proposals by the Porte.

I am, &c.
(Signed) DERBY.

No. 227.

Mr. Morison to the Earl of Derby.—(Received February 24.)

My Lord, *St. Stephen's Chambers, Westminster, February 23, 1876.*

I HAVE been instructed to take the liberty of informing your Lordship that the mission of Sir Philip Rose and Mr. J. Staniforth, on behalf of Turkish bondholders, as announced in Mr. Palmer's Circular of 21st instant, is in no way recognized by the Egyptian Tribute Bondholders' League, neither those gentlemen nor Mr. Palmer's Committee having authority to act on behalf of the 1854 and 1871 Loans.

That Committee was elected at a meeting invited by Mr. Palmer on the 10th January, which included, and was largely composed of, 1858 bondholders, whose interests, under the Iradé of October 6, 1875, would be benefitted at the expense of the Tribute bondholders.

It was in consequence of the attempted fusion of the Tribute Loans with the unsecured Loans that the Tribute Bondholders' League was formed, for the protection of their own interests.

I am, &c.
(Signed) JAS. A. RICHMOND MORISON,
Hon. Sec. Egyptian Tribute Bondholders' League.

No. 228.

*The Earl of Derby to Sir H. Elliot.**

(Telegraphic.) *Foreign Office, February 25, 1876, 6 P.M.*

THE Bank of England has received from the Turkish Ambassador the amount required to meet the deficit in the funds required to pay the coupons of the Guaranteed Loan of 1855 due on the 1st instant.

No. 229.

Lord Tenterden to Mr. Morison.

Sir, *Foreign Office, February 26, 1876.*

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 23rd instant, stating that Sir Philip Rose, Mr. J. Staniforth, and Mr. Palmer's Committee, are not recognized by the bondholders of the Ottoman Loans of 1854 and 1871 as having authority to act on their behalf.

I am, &c.
(Signed) TENTERDEN.

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* A similar telegram was sent to Lord Lyons.

No. 230.

Mr. Franklin to the Earl of Derby.—(*Received February* 26.)

ANGLO-TURKISH LOAN, 1862.

London Institution, Finsbuay Circus, February 25, 1876.

My Lord,

IN order to keep your Lordship well informed in this matter, I submit annexed copy of "reasons wherefore bondholders of the Anglo-Turkish Loan of 1862 could not be parties to proceedings of any miscellaneous meetings of Turkish creditors indiscriminately."

The original of said copy was communicated to Mr. Hamond, M.P., in advance of the meeting convened by him yesterday.

On behalf of all whose interests are entrusted to my advocacy, your Lordship is entreated to resume the place which belongs to your office among "the best advisers of the Porte," referred to in No. 6 of the reasons recited in the annexed page.

I have, &c.
(Signed) J. A. FRANKLIN.

Inclosure in No. 230.

Turkish Bonds.

REASONS wherefore bondholders of the Anglo-Turkish Loan of 1862 cannot be parties to proceedings of any miscellaneous meeting of Turkish creditors indiscriminately:—

1. Because the revenues devised and pledged for security of the 1862 Loan specifically are threatened to be cast into hotch-pot for profit of later lenders, who became so with full knowledge of the pre-existing mortgages.

2. Because it is inconsistent, unusual, and even suicidal, to allure the Porte into terms of compromise, bid for after manner of a Dutch auction, with design to take advantage of sacrifices imposed on weaker parties.

3. Because of risk that advanced creditors may obtain concessions to themselves, preferentially, by pretending acquiescence of other parties therein.

4. Because of endeavours to interpose yet another syndicate for interception or misappropriation of others' dues.

5. Because the conditions precedent of any negotiations in all analogous cases is an effective receivership of available assets by independent hands, afterwards to be apportioned between classified creditors upon equitable principles, impartially administered.

6. Because in this emergency the fairest and most practicable course would be to induce the best advisers of the Porte to commend the foregoing principles to its frank and prompt acceptance.

No. 231.

Lord Tenterden to Mr. Franklin.

Foreign Office, February 29, 1876.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 25th instant, inclosing a "copy of reasons wherefore bondholders of the Anglo-Turkish Loan of 1862 could not be parties to proceedings of any miscellaneous meetings of Turkish creditors indiscriminately."

I am, &c.
(Signed) TENTERDEN.

No. 232.

The Earl of Derby to Sir H. Elliot.

(No. 121.) *Foreign Office, February* 29, 1876.

Sir,

THE Lords Commissioners of the Treasury have informed me that a communication has been received from the Bank of England, stating that a cheque for 15,400*l.* has been

received from the Turkish Ambassador in this country, thus completing the amount required for the payment of the half-year's interest, due on the 1st instant, of the Turkish Guaranteed Loan of 1855.

I have to instruct your Excellency to state to Raschid Pasha that Her Majesty's Government have learnt with much satisfaction that the Ottoman Government have thus fulfilled their engagements with regard to this Loan.

I am, &c.
(Signed) DERBY.

No. 233.

*Sir H. Elliot to the Earl of Derby.**—(*Received March* 4.)

Pera, March 4, 1876.

(Telegraphic.)

A PROPOSAL made to the Porte by Mr. Palmer respecting the foreign Loans, includes the reduction by one-half of the sinking fund on the Guaranteed Loan.

I have told him that the sinking fund, at its present amount, was fixed by the Convention of 1855 between the three Powers, and that I must warn the Porte that it is not free to depart in any respect from the terms of that Convention without previous sanction of British and French Governments. I have this morning sent a message to the Porte to the above effect. I have told Mr. Palmer that, although I have no instructions from your Lordship, I do not believe that Her Majesty's Government will consent to prolong the period of their responsibility by deferring the date at which the debt will be extinguished.

No. 234.

Sir H. Elliot to the Earl of Derby.—(*Received March* 4.)

Constantinople, March 4, 1876.

(Telegraphic.)

MR. PALMER has modified the proposal mentioned in my telegram of this morning, and has omitted from it all mention of Guaranteed Loan.

No. 235.

Lord Tenterden to Mr. Lingen.

Foreign Office, March 6, 1876.

Sir,

WITH reference to Mr. Lister's letter of the 4th instant, I am directed by the Earl of Derby to state to you, for the information of the Lords Commissioners of Her Majesty's Treasury, that a further telegram has been received from Her Majesty's Ambassador at Constantinople, reporting that Mr. Palmer has modified his proposal to the Porte, and has omitted from it all mention of the Guaranteed Loan of 1855.

I am, &c.
(Signed) TENTERDEN.

No. 236.

Mr. Lingen to Lord Tenterden.—(*Received March* 8.)

Treasury Chambers, March 8, 1876.

My Lord,

IN reply to Mr. Lister's letter of the 4th instant, relative to a proposal made by Mr. Palmer to the Sublime Porte, on the subject of foreign loans, including the Guaranteed Loan of 1855, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State, that my Lords entirely approve of the course adopted by Sir H. Elliot, and that they are of opinion that there should be no departure from the terms of the Convention between the three Guaranteeing Governments in respect of this loan.

I am, &c.
(Signed) R. R. W. LINGEN.

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* Copy sent to Her Majesty's Ambassador at Paris and to Treasury, March 4.

No. 237.

The Earl of Derby to Sir H. Elliot.

(No. 147.)

Foreign Office, March 10, 1876.

Sir,

I AM requested by the Lord Commissioners of Her Majesty's Treasury to convey to you their Lordships entire approval of the course adopted by your Excellency, as reported in your telegrams of the 4th instant, relative to a proposal made by Mr. Palmer to the Porte on the subject of the foreign loans, including the Guaranteed Loan of 1855.

Her Majesty's Government are of opinion that there should be no departure from the terms of the Convention between the three Guaranteeing Governments in respect of this loan.

I am, &c.

(Signed) DERBY.

No. 238.

Sir H. Elliot to the Earl of Derby.—(Received March 10, *at night.)*

(Telegraphic.)

Constantinople, March 10, 1876, 6·50 P.M.

SIR PHILIP ROSE and Mr. Staniforth, who arrived here some days ago, have a project for the conversion of the whole of the Turkish debt into the same stock.

It will not be communicated to the Porte till the arrival of a representative of the French bondholders in a few days.

Any proposal including the relief of the Porte from the floating debt and similar liabilities will be received with favour.